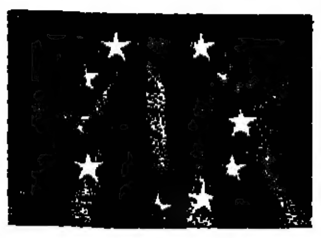
FINANCIAL TIMES



Europe's future
Why Emu is the wrong priority
Edward Mortimer, Page 10

Electric cars
GM's jellybean has far to go
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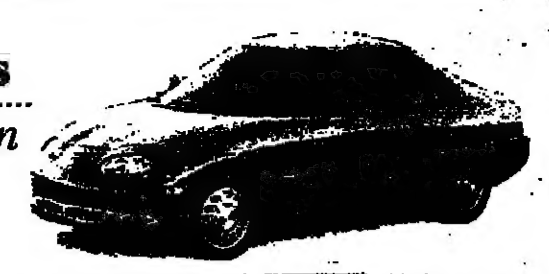

Kobe a year on
Regaining its poise
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Greek succession
Who will follow Papandreou?
Page 11

World Business Newspaper

WEDNESDAY JANUARY 17 1996

US defeat for Ford over airbags may spark claims rush

Carmakers selling vehicles in the US could face one of their biggest safety challenges after the Supreme Court in Washington upheld a case against the Ford motor company. The court denied an appeal by Ford against a state ruling which would allow motorists to sue carmakers for failing to fit airbags. The decision could open the way to a flood of litigation by injured motorists against carmakers which have not installed airbags in their vehicles. "We're obviously disappointed by the decision," said Dean McGrath, an attorney with the American Automobile Manufacturers' Association. Page 12

Greek contest begins: The battle to succeed Andreas Papandreou as prime minister started with a number of contenders declaring their candidacy. Page 2

Berlusconi trial to start: The long-awaited trial for corruption of Silvio Berlusconi begins today in Milan amid accusations from the former Italian prime minister that the court action is a political vendetta. Page 2

Nuclear dialogue proposed: France, as part of its policy of moving closer to Nato's military structures, will today put to its fellow members of the alliance the idea of a political dialogue on the role of nuclear weapons. Page 3

Turkish carmaker to halt production: Turkey's second-largest carmaker is to halt production temporarily after a 50 per cent drop in sales, as growing political uncertainty begins to affect an economy already burdened by chronic inflation. Page 2

Cognac price increases prove unpalatable: Rémy Cointreau, the French drinks group, slumped to a first-half pre-tax loss of FFr38.9m ($7.86m) after price rises drove away some of its customers, particularly among Chinese cognac drinkers. Page 13

German rivals seek TV decoder deal: The future shape of German digital television will be mapped out later this week when Kirch and Bertelsmann, the country's two largest media groups, try to reach agreement on establishing a uniform decoding system. Page 2

SE-Banken fined: The Stockholm Stock Exchange imposed a SKr2m ($300,000) fine on Skandinaviska Enskilda Banken, one of Sweden's leading commercial banks, for breaking bourse rules in its handling of information about heavy credit losses which caused an unexpected slump in its profits in 1995. Page 13

UK gas industry shake-up looms: Forthcoming competition in the UK gas supply industry threatens to spell disaster for British Gas, the country's oldest and largest supplier. Page 14

Indonesian companies face levy:

Indonesia's President Suharto has set up a foundation to manage compulsory donations from Indonesia's wealthiest companies in a move ostensibly aimed at reducing poverty. Under a directive issued by the president, companies with an annual after-tax income of more than Rp100m ($43,000) are obliged to donate 2 per cent of their earnings to the foundation. Foreign companies operating in Indonesia, although not covered by the decree, have also been asked to donate. Page 12

Move to raise banking confidence: The Czech Republic's central bank moved to restore confidence in the country's banking sector by appointing an administrator to Ekoagrobanka, a small privately owned regional bank. Page 12

BMW fights car crime in S Africa: BMW, the German luxury car manufacturer, has taken the extreme step of trying to protect its market share in South Africa by including anti-theft and hijacking insurance in the price of new models. Page 4

Drug trafficker's arrest hailed: Mexico and the US celebrated the arrest of Juan Garcia Abrego, one of the world's most wanted drug traffickers, though his capture and deportation to the US are likely to spark a fresh war between Mexico's rival cartels. Page 3

US death sentence woman reprieved: The governor of the US state of Illinois commuted a death sentence on Guinevere Garcia, for the killing, in 1992, of her husband, to life in prison, stopping what would have been only the second execution of a woman since capital punishment returned to the US in 1977.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,046.31	(+2.53)
NASDAQ Composite	981.20	(-7.37)
Europe and Far East		
CAC40	1,952.10	(+27.70)
DAX	2,376.87	(+17.82)
FT-SE 100	3,710.6	(+47.9)
Nikkei	20,567.07	(+279.65)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.134%
Long Bond	110$\frac{3}{32}$
Yield	6.114%

■ OTHER RATES

UK: 3-mo Interbank	6$\frac{7}{16}$%	(6$\frac{15}{32}$%)
UK: 10 yr Gilt	108¼	(107$\frac{3}{32}$)
France: 10 yr OAT	110.03	(108.99)
Germany: 10 yr Bund	101.33	(100.87)
Japan: 10 yr JGB	111.149	(111.114)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.19	(18.96)

■ GOLD

New York: Comex		
Feb	$398.8	(396.1)
London:		
close	$397.3	(395.0)

■ DOLLAR

New York: lunchtime		
£	1.5380	
DM	1.4615	
FFr	4.9955	
SFr	1.177	
Y	105.90	
London:		
£	1.5395	(1.5457)
DM	1.4576	(1.4465)
FFr	4.9833	(4.9493)
SFr	1.1741	(1.1654)
Y	105.895	(105.20)

■ STERLING

DM	2.2425	(2.2359)
Tokyo close:	Y 105.60	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lv120.00	Iceland	IKr230	Nigeria	Naira60	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Peso60	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Esc240	Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50			Turkey	L70.000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

Top Indian politicians accused of accepting bribes

Foreign currency dealing probe leads to arrest of Surendra Jain

By Mark Nicholson and Shiraz Sidhva in New Delhi

Indian investigators yesterday charged seven leading politicians and sought permission to prosecute three cabinet ministers for allegedly receiving bribes from a steel industrialist.

The charges arise from an investigation into alleged illegal foreign currency dealing, known as *hawala*, which led to the arrest of Mr Surendra Jain, the New-Delhi-based industrialist.

The charges prompted an opposition party leader to resign his parliamentary seat and threw the government into turmoil, with a general election just over three months away.

The Central Bureau of Investigation said inquiries were continuing into the bribery allegations, which will be a serious setback for the election prospects of the Congress party of Mr P.V. Narasimha Rao, prime minister.

But the inclusion among the accused of Mr L.K. Advani, leader of the opposition Bharatiya Janata party, could equally torpedo the BJP's anti-corruption crusade against Congress.

BJP officials said Mr Advani last night resigned his seat following the charges, although he protested his innocence and claimed the charges were "politically motivated".

The bureau said "other politicians are under investigation" and further charges of "receiving illegal gratification" under India's prevention of corruption act might follow.

The probe uncovered a coded notebook at Mr Jain's home detailing a series of payments totalling Rs600m ($17m) made between 1988 and 1992, with initials of the apparent recipients.

The charges lend weight to longstanding media speculation that the initials were those of top politicians. A total of 18 senior bureaucrats have already been charged under the four-year investigation, which has accelerated following a directive from India's supreme court a year ago.

Prosecution of the charges will proceed through a special Delhi-based anti-corruption court. The accused face possible sentences of up to five years in jail.

The three ministers cited by police are Mr Madhao Rao Scindia, minister for human resource development, Mr Balram Jhakar, agriculture minister, and Mr Vidya Chara Sukhla, minister for water resources. The bureau of investigation said that it was seeking the consent of President Shankar Dayal Sharma to remove the trio's ministerial immunity from prosecution.

The others charged were Mr Arjun Singh, a former Congress minister who formed a breakaway Congress faction last year, Mr Devi Lal, former deputy prime minister, Mr Yashwant Sinha, ex-finance minister, Mr Kalpanath Rai, another former Congress minister, Mr Arif Mohammed Khan, Mr Lal's grandson, and Mr Pradeep Singh, a one-time aide to Mr Lal.

Chubais dismissal blow for Russian economy ■ Fighting with Chechens escalates

Yeltsin sacks leading reformer

By Chrystia Freeland and John Thornhill in Moscow

Two hostages pass through a group of Russian soldiers in the village of Sovetskoye after being freed from their Chechen captors Picture AP

Russia's fragile market economy suffered a serious blow yesterday when President Boris Yeltsin sacked Mr Anatoly Chubais, the deputy prime minister and leading economic reformer who masterminded the country's mass privatisation programme.

Mr Chubais' departure, following a series of hardline government appointments and a tough response to the hostage crisis in southern Russia, is the strongest sign yet that Mr Yeltsin is adopting the policies of communist and nationalist opponents who dominated December's parliamentary elections.

Mr Alexander Livshits, the president's chief economic aide, said the sacking signalled a change in economic priorities. This year, he said, the government would ensure wages were paid on time and place more emphasis on managing the state's assets instead of selling them off.

The political turmoil came as gunmen who identified themselves as Chechen rebels seized a Russia-bound boat carrying 165 people at a Turkish port and threatened to kill Russians aboard.

Meanwhile, fighting escalated yesterday between Chechen separatists and Russian troops in the north Caucasus. After a second day of intense attacks, Russian forces had still failed last night to overcome Chechen gunmen who seized more than 100 hostages last week and were besieged in the village of Pervomaiskoye.

The Kremlin's difficulties in Chechnya were further compounded when another group of Chechen fighters were reported to have captured 30 hostages in Grozny, the Chechen capital.

In Moscow, the fiercely worded presidential decree which removed Mr Chubais from his post attacked him for his failure to implement presidential orders and for poor management.

"We cannot eternally conduct the policy of financial stabilisation," said Mr Livshits, referring to the austere budgetary and monetary policies pursued by the government last year. "It must come to an end and then the policies of economic growth must begin."

Political observers compared Mr Yeltsin's seeming policy shift to the last days of President Mikhail Gorbachev who sacrificed liberal supporters in a desperate attempt to cling to power. Mr Yeltsin last week ditched his liberal foreign minister and chief of staff, replacing them with two Soviet-era hardliners.

Mr Chubais' departure suggests that the president, already under fire for the continuing conflict in Chechnya, also appears prepared to loosen monetary policy to boost his popularity ahead of the presidential elections scheduled for June. Mr Gennady Zyuganov, leader of the Communist party, welcomed the decision to remove Mr Chubais and said it showed that Mr Yeltsin planned to seek re-election.

"Of course with such an albatross you cannot go into the elections. He [Mr Yeltsin] is ridding himself of the entire team which together with him brought the country to total bankruptcy and humiliation," he said.

A visibly shaken Mr Chubais said his departure did not mean the end of economic reform, but he warned that the government should not abandon reform just as it was beginning to bear fruit. "It would be an enormous mistake to change economic policy five months ahead of the elections," he said.

However, the symbolism of Mr Chubais' departure is likely to worry foreign investors and governments who viewed him as a guarantor of sound economic policies. Mr Chubais was described as a "demigod" by one senior western official for his privatisation programme.

Sony seeks to boost position in multimedia markets

By Michiyo Nakamoto in Tokyo and Paul Taylor in London

Sony is seeking to strengthen its position in emerging multimedia markets through a wide-ranging corporate reorganisation.

The Japanese consumer electronics and entertainment company is to set up two new divisions, one of which will focus on personal computers.

It will also split its audiovisual products division into three new units, merge two existing business units into a single personal and mobile communications division, and establish a new information technology unit.

The new IT unit will be responsible for Sony's personal computer businesses including the Quarter L, an industrial-use computer sold in Japan, and the PCs which Sony is developing with Intel, the US semi-conductor company. Last year Sony and Intel launched a joint venture to develop new types of PCs for the consumer market.

The reorganisation, effective from April, reflects Sony's concentration on business areas which have not traditionally been core operations but which are expected to become increasingly important with the advent of multimedia.

It also reflects the success of a corporate system based on semi-autonomous units which

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Dell shares fall, Page 18

Kohl keeps weighty secret as he serves up cookbook

By Michael Lindemann in Bonn

When Chancellor Helmut Kohl launched a cookbook yesterday with some of his favourite German recipes, he was willing to talk about ingredients, but not about his weight. "That," he said "is a state secret."

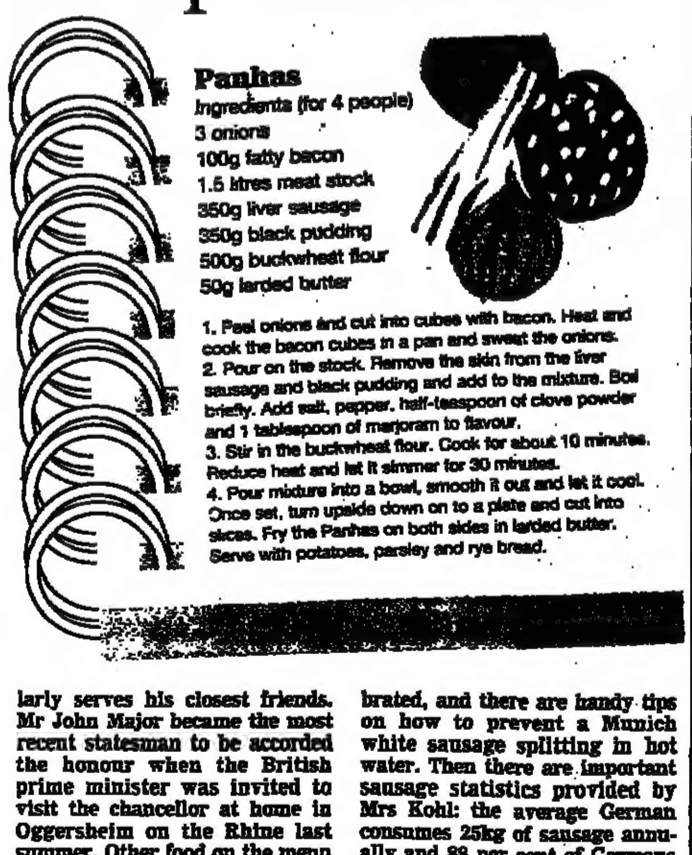
Together with his wife, Hannelore, Mr Kohl has published a collection of 350 specialities, in the hope of changing the stodgy reputation of Germans and their food. "Now people will know that we like to eat and drink, something we are, unfortunately, not reputed for."

Some of the recipes are a long way from lean cuisine, but Mr Kohl was confident that the details of pork roll in milk, leg of lamb cooked in hay, carp in black beer, and Panhas, which contains fatty bacon and black pudding, will provide evidence that Germans are more than just "serious, hardworking, reliable and punctual".

Mr Kohl admitted he was not partial to all the recipes. The collection was put together with the help of the ominous sounding Central Marketing Company of the German Agricultural Economy, and each has been road-tested by Mr Alfons Schuhbeck, a well known German chef.

However, Mr Kohl's favourite recipe is known to be Palatine sow's stomach, a dish he regularly serves his closest friends. Mr John Major became the most recent statesman to be accorded the honour when the British prime minister was invited to visit the chancellor at home in Oggersheim on the Rhine last summer. Other food on the menu includes pig's neck on a bed of leeks and old beer dumplings.

The German sausage is celebrated, and there are handy tips on how to prevent a Munich white sausage splitting in hot water. Then there are important sausage statistics provided by Mrs Kohl: the average German consumes 25kg of sausage annually and 88 per cent of Germans have it with their evening meal.



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هكذا من الاصل

MEPs aim to make a clean breast of things

By Emma Tucker in Strasbourg

Members of the European Parliament will today attempt to clean up their image with a series of votes intended to restrict the influence of lobbyists at the assembly and establish a full and frank register of MEPs' financial interests.

Two reports debated in the chamber last night seek to introduce greater openness and accountability into the activities of Europe's 626 representatives. Until now, MEPs have been under virtually no obligation to reveal fees and gifts received in the course of their parliamentary duties.

The first report, presented by Mr Glyn Ford, the British Socialist MEP, would regulate the activities of lobbyists, who currently enjoy unhindered access to the parliament's corridors in Brussels and Strasbourg.

Mr Ford believes that anyone who wants to spend more than a week inside the parliament should have to sign a register and disclose any cash or gifts offered to MEPs, assistants and officials that amount to more than Ecu1,000 ($1,300) per year per person.

There would be no restrictions to the list and no distinction between "good" lobbyists (such as charities and non-governmental organisations) and others. Anyone who registers would be given a pass, renewable each year.

"There is nothing illegal about lobbying; it is something which we welcome," said Mr Ford. "We just want to know when lobbying turns into a 'special relationship'."

He has in mind examples such as the recent visit to Indonesia by seven MEPs and their spouses. "If colleague X wants to tell us how wonderful Indonesia is, we will in future know if he or she has just enjoyed an all expenses paid trip by the Indonesian government," said Mr Ford.

Certain lobbyists have lobbied hard on some aspects of the report, but most have wearily accepted it.

"The groups I have spoken to are not wildly enthusiastic, but say it is not a major problem," said Mr Ford. "Some even welcome it, as they think it will keep out the cowboys."

While the Ford report stands a good chance of winning the support of MEPs, a second proposing a register of members' financial interests faces a much rockier reception.

German Christian Democrats were threatening to vote against it last night, arguing that it went too far in exposing the financial interests of MEPs.

This report, put forward by Mr Jean-Thomas Nordmann, the French liberal MEP, would require every parliamentarian to submit a personal declaration to the parliament at the beginning of their mandate mentioning all professional or other activities for which they receive substantial payments. They would also have to list any gifts or advantages bestowed on them, plus their moveable and immoveable assets.

The Christian Democrats are not alone in believing that a full declaration of all interests is unnecessarily intrusive.

The Socialist group favours a less stringent declaration, arguing that it is interested in the change to people's financial standing as a result of becoming an MEP, rather than what they possess when they take up their mandate.

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Sales fall 50% as economy suffers from political uncertainties

Renault to halt Turkish output

By John Barham in Ankara

Turkey's second-largest car manufacturer is to halt production temporarily because of a 50 per cent drop in sales, as growing political uncertainty begins to affect an economy already burdened by chronic inflation.

Renault-Oyak, a joint venture between the French motor group and the Turkish armed forces pension fund, said that it would stop output for the last five working days of this month and lay off 2,400 workers.

A company official added that it hoped the halt would allow time to sell mounting stocks of unsold cars.

"Renault is making over 300 cars a day but has only sold 600 so far this year," he said. "We will resume operating once there is a recovery in sales." In the same period last year, Renault sold more than 1,200 cars.

Consumer demand has dropped steeply in Turkey, mainly because interest rates have shot up to 8-10 per cent a month in real terms since last month's inconclusive general election, when the radical Islamic Refah party won the largest number of seats in parliament. Confusing political signals from Ankara, the capital, have generated uncertainty for businesses and the financial markets.

Mr Necmettin Erbakan, the leader of Refah – which won 158 seats in the 550-member parliament – yesterday completed the first round of consultations with other party leaders to try to form a coalition government. He failed, however, to win support from any of the four secular parties in parliament.

A significant minority of business people suspect he will finally entice the conservative Motherland party into a coalition. This might further weaken industry's morale, already shaken by the election results and the assassination last week by left-wing terrorists of Mr Ozdemir Sabanci, a prominent businessman.

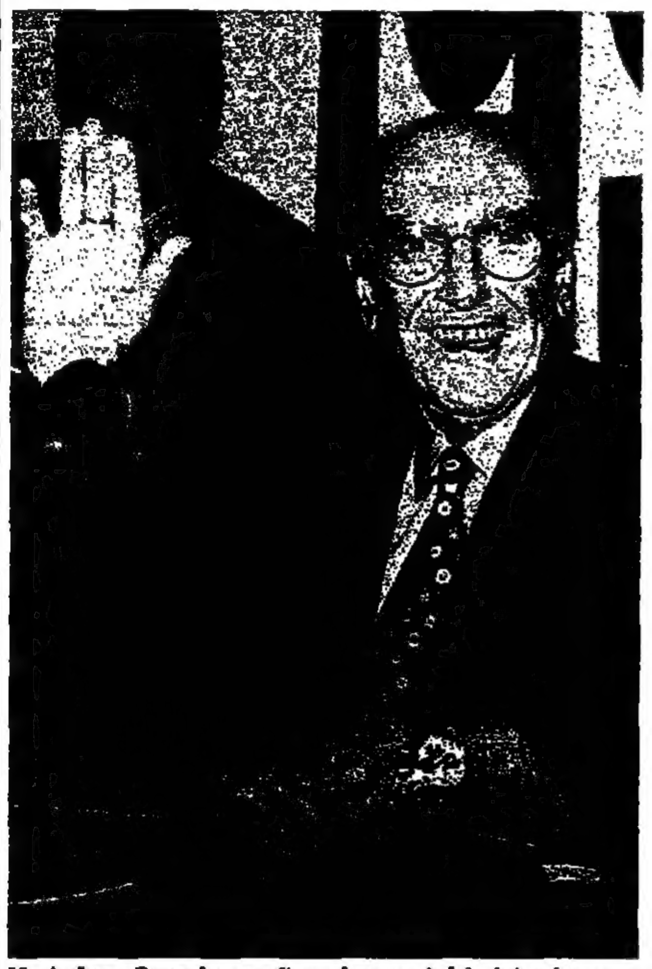
One equity analyst yesterday predicted that low demand would continue until a new government was in place. She said the business outlook for the year was for little improvement over 1995.

Most companies expect inflation of 75-100 per cent this year, against 79 per cent in 1995 and that growth will halve from 7.1 per cent last year.

Uncertainty about the outcome of political negotiations has forced up the interest rates the government must pay on its rising mountain of domestic debt, and has shortened maturities to 105 days.

Mr Albert Nekimken, director of research at Istanbul's Demirbank, said: "Obviously this is not sustainable. But the question is when you should start pressing alarm bells. It is still a bit early to say Turkey is entering recession. We will need a whole slew of negative figures first."

Paradoxically, shares on Istanbul's stock market have performed strongly this year, with prices rising by 17 per cent. Yesterday alone, share prices rose nearly 4 per cent thanks to buying by bargain hunters. But few economists and business executives are optimistic that the incoming government will be strong enough to force through the structural public sector reforms needed to stabilise the economy.



Mr Andreas Papandreou, after a long period in intensive care, has ended a leadership crisis in Greece by stepping down as prime minister AP

Contenders enter race to succeed Papandreou

By Kerin Hope in Athens

Mr Costas Simitis, Greece's former industry minister, yesterday opened the contest to succeed Mr Andreas Papandreou as prime minister by officially declaring his candidacy. He was immediately followed by Mr Gerasimos Arsenis, the defence minister, the other frontrunner.

The governing Panhellenic Socialist Movement's 169 deputies are expected to elect a new premier tomorrow, to be confirmed in office next week by a vote of confidence in parliament.

Mr Simitis represents Pasok's pro-European wing, which is committed to participation in European economic and monetary union, while Mr Arsenis is backed by a populist faction that favours more generous wage and pension policies.

Two other candidates also announced they were running: Mr Apostolos Kaklamanis, the speaker of parliament, and Mr Yannis Haralambopoulos, a former foreign minister and close friend of Mr Papandreou. Mr Akis Tsochatzopoulos, the acting prime minister, was expected to join the race today.

Mr Papandreou stepped down on Monday, asking Pasok to start procedures for electing a new prime minister immediately. In a letter from hospital he said he was too weak to resume his duties. Still in serious condition after two months in hospital, Mr Papandreou will remain chairman of the party he founded in 1974, but is not expected to return to politics.

The Athens stock exchange jumped by more than 2 per cent in early trading yesterday and closed 1.72 per cent up. The volume of shares traded was close to record levels, amounting to more than Dr14bn ($59m).

Brokers said the market was poised to move steadily upwards after several weeks of uncertainty.

Mr Simitis, who tried to make Mr Papandreou resolve the succession issue a few weeks before he was rushed to hospital with pneumonia, has the largest personal following among Socialist deputies but falls well short of an outright majority.

He is popular with Greek business because of his moderate views and record of implementing a European Union-backed stabilisation programme in the 1980s.

According to opinion polls, he has the best chance of winning floating voters back to Pasok before the next election, due in 1997.

Mr Arsenis, a former United Nations economist, is trying to overcome a negative image left over from the early 1980s when he served simultaneously as economy minister and central bank governor.

He introduced far-reaching financial reforms, but his record also includes devaluing the drachma for the first time in over 30 years, approving forced nationalisations of Greek industrial companies, and maintaining index-linked wage and pension increases in the face of a soaring public deficit.

None of the other candidates is expected to win more than a handful of votes. But their support will be crucial in deciding the outcome of a run-off vote between Mr Simitis and Mr Arsenis.

German rivals seek deal on TV decoder

By Judy Dempsey in Berlin

The future shape of German digital television will be mapped out later this week when Kirch and Bertelsmann, the country's two largest media groups, try to reach agreement on establishing a uniform decoding system.

A uniform system could pave the way for the launch later this year of pay-per-view digital television, potentially providing German households with access to a wide variety of public and private sector programming via satellite.

Kirch and Bertelsmann have developed two different decoding systems which offer different facilities. Both sides agree that a single system is desirable.

The Bertelsman camp argues that its system provides wider access to and more accountability in control of the decoder system, as a large number of companies are involved. By contrast, the Kirch system is under the control of the group itself.

Rivals claim that the Kirch system would be open to monopoly domination, an allegation Kirch hotely denies.

ARD, the publicly-financed broadcasting authority for Germany's 11 regional television networks, is pressing for the Bertelsmann system to become the national standard.

Last summer, it joined a consortium headed by Bertelsmann, Canal Plus, the French commercial television group, and Deutsche Telekom, Germany's state telecommunications network, to develop a decoding system for digital television. The consortium also includes ZDF, Germany's second state television channel, RTL, the commercial television network, while Austrian and Swiss television are considering signing up later this year.

ARD, RTL and Bertelsmann have repeatedly argued that access to the Kirch decoding system would be restricted and competition and choice would be reduced or biased towards Kirch's television interests. These include its stake in Sat-1, the television commercial television, and Premiere, Germany's only pay-television channel.

"This is not true. We will offer a wide variety of programmes. Ours would be an open system," Mr Gottfried Zmeck, a Kirch manager, said recently.

Mr Albert Scharf, head of ARD, insists that control of the decoder system should not be capable of being used to restrict consumer choice. "You have to be certain that your programmes will be offered in the decoder to provide as much choice as possible," he said. "We wanted to have an all-open system where everybody interested, private or public broadcasters, would be sure his or her programming would be on offer and there would be unrestricted access. That is why we joined up with the Bertelsmann group as shareholders. We all have a say."

Survey finds Angst moves closer to home

By Peter Norman in Bonn

Think of a German word and you probably think of *Angst*.

The standard dictionary definition of Angst as fear does the word little credit. It is because of its sense of visceral anguish that Angst has become one of the few German words to be in common English usage.

But what makes Germans feel Angst? On the strength of 2,000 interviews, the Süddeutsche Zeitung newspaper reported yesterday that crime now topped the list, followed by unemployment, with inflation, an old German bugbear, close to the bottom of 22 specific worries at place 17.

In 1990, the Munich-based Süddeutsche commissioned a survey of what Germans expected their country to be like at the end of the millenium. Late last year it repeated the exercise and discovered the fears of the average German had moved closer to home.

Five years ago, fear about destruction of the global environment topped the list of the nation's worries when it looked ahead to the year 2000. With a mini-recession and a jobless economic recovery in between, the environmental issue has slipped to third place behind crime and unemployment.

"The extreme right" came fourth on the list, followed by war, violence, drugs and terrorism. Fear of "too many foreigners" came ninth, followed by "civil nuclear power catastrophe". As a consolation for those who worry that the German economy may be losing its dynamism, "capitalism" was last of the 22 fears listed by the newspaper.

In general, the citizens of the the former Communist eastern Germany worried more about the future than their western neighbours. This was particularly true of crime and unemployment.

Affluent Switzerland topped the list of countries seen as a model for Germany, with particularly strong backing in western Germany. Sweden, with its reputation as a "social state", won twice as much support in eastern Germany as in the west. The newspaper reported that the UK came bottom of the list of model countries, with only high-earners and 14- to 19-year-olds declaring any special fondness for Britain.

Berlusconi goes on trial for corruption

By Robert Graham in Rome and John Simkins in Milan

The long-awaited trial for corruption of Mr Silvio Berlusconi begins today in Milan amid accusations from the former Italian prime minister that the court action is a political vendetta.

The charges relate to bribes totalling L380m ($241,000) paid to members of the Guardia di Finanza, the financial police, to secure favourable inspections of the books of companies in his Fininvest business empire. Ten other people are in court with him, including his younger brother Paolo, four Fininvest executives and five Guardia di Finanza members.

The prosecution is expected to back up its case by exposing Fininvest's alleged use of parallel accounts and undisclosed funds in Swiss and offshore subsidiaries that will affect other cases against the former premier. Mr Berlusconi is being investigated by magistrates over three other allegations of corruption as well as for the alleged blackmail of Mr Antonio Di Pietro, the magistrate largely responsible for today's charges.

In an hour-long press conference in Milan last night Mr Berlusconi, who is not expected to appear in court today, insisted he was innocent and launched a strong attack on the Milan magistrates, and Mr Di Pietro in particular, for "using their judicial powers in an attempt to obtain the resignation of the government under my leadership".

He said investigations into Mr Di Pietro by Brescia magistrates had shown that the magistrate had "set out to strike at the government so as to satisfy a political ambition".

The outcome of this case will determine Mr Berlusconi's two-year-old career as a politician and affect the future of Fininvest, whose politically sensitive television interests are due to be floated later this year. The trial is also likely to have an impact on current efforts to form a new government and the timing of general elections.

THE CHARGES HE FACES

- Corruption for the payment of L100m (£40,000) for the tax inspection of Videotime (film/video subsidiary) in 1989
- L130m for inspection of Mondadorio (publishing) in 1991
- L130m for inspection of Mediolanum (life insurance) in 1992
- L50m for inspection of the ownership structure of Telepiu (cable television) in 1993-94

Mr Berlusconi first learned he was under investigation on the present charges on November 22, 1994, when as premier he was hosting in Naples an international conference on crime.

He has consistently denied knowing anything about the bribes. His brother Paolo and Mr Salvatore Sciascia, head of Fininvest's tax department, have admitted making the payments but claim they were blackmailed into making them.

The core of the prosecution's case is that in a private group such as Mr Berlusconi's it would be hard for him as owner and chief executive not to know about such payments designed to limit the group's tax bill. It emerged in a trial last year of some of the same Guardia di Finanza officials in court today that the payment of bribes to ensure "soft" tax inspections was a widespread practice among businessmen. This latter trial also rejected the businessmen's contention that they were blackmailed into making the bribes.

The most recent Fininvest bribe was paid two years after Italy's corruption scandals first broke. This concerned the cable television company Telepiu, which the Guardia di Finanza were checking in late 1993 and early 1994 on suspicion that Mr Berlusconi had not properly divested his controlling stake. They suspected him of retaining control through friendly shareholders in breach of the 1990 law regulating television ownership. If proven, this could lead to his losing some or all of his three licences.

The prosecution claims Mr Berlusconi, while prime minister, met Mr Massimo Derruti, a Fininvest lawyer, in June 1994 to discuss a pay-off to the Guardia di Finanza in respect of the Telepiu investigation.

Key documents long sought from the Swiss authorities regarding Fininvest's operations in Switzerland were handed over to the prosecution just before Christmas. Mr Berlusconi's lawyers fought hard to block access to them. It has already emerged that offshore companies linked to Fininvest made transfers of L15bn to people closely connected to former Socialist premier Bettino Craxi, the political godfather to Mr Berlusconi.

EUROPEAN NEWS DIGEST

Portugal's PSD leader resigns

Mr Fernando Nogueira, the leader of Portugal's opposition Social Democrats (PSD), resigned yesterday and called for an urgent party congress to elect a new leadership.

His resignation immerses the centre-right party in a crisis after two decisive election defeats in less than four months ended the PSD's 16 years in power. "The party needs to undertake a thorough re-adaptation to the new political situation," he said.

Mr Nogueira had said he wanted to quit immediately after the PSD was defeated by the Socialists in a general election last October. He stayed on to support Mr Anibal Cavaco Silva, the PSD's losing candidate in Sunday's presidential election, he said. Mr Cavaco Silva, who led the party for 10 years as prime minister, was succeeded by Mr Nogueira nearly a year ago when he stepped down to run for the presidency.

Leading contenders for the PSD leadership are expected to include Mr José Manuel Durão Barroso, a former foreign minister, and Mr Joaquim Ferreira Amaral, a former public works minister. The leadership struggle will temporarily abate opposition to the Socialist government which is four seats short of an overall majority. It will benefit the small right-wing Popular party as it begins to challenge the PSD for leadership of the right. *Peter Wise, Lisbon*

Uneasy Weizman says thanks

Mr Ezer Weizman (bottom, left), the Israeli president, yesterday thanked Germany in the presence of Chancellor Helmut Kohl for what he called its "friendship and co-operation" over the last 50 years, but said his visit, only the second by an Israeli head of state, "was not an easy one". As only the third speaker ever to address a joint session of the German parliament, Mr Weizman said that "as president of the state of Israel I can mourn [the memory of the Jews killed] but I cannot forgive on their behalf." Mr Weizman caused a stir earlier during his four-day visit by telling Jews in Germany that he could not understand why they were still living there following the extermination of about 6m Jews during the second world war. Mr Weizman's remarks were criticised by Mr Ignatz Bubis, leader of Germany's Jews who has repeatedly argued that Jewish culture must be allowed to flourish again in Germany if relations between the two countries are ever to be normalised. *Michael Lindemann, Bonn*

German employers' chief to quit

The German Employers' Federation (BDA) yesterday confirmed reports that Mr Klaus Murmann, its bluntly-spoken president for almost 10 years, is to leave in December. He is to be replaced by Mr Dieter Hundt, currently a regional president of Gesamtmetall, the engineering employers' federation.

News of the change comes only a few weeks after a similar upheaval at Gesamtmetall, where Mr Joachim Gottschol is to step down as president this summer. The two departing men have frequently been described as hardliners, at least in comparison to their predecessors. Both are to be replaced with people who have extensive experience as negotiators.

The change in leadership in two of the most influential lobbying groups in Bonn comes at a time when the government is lining up with the trade unions to put pressure on employers to hire more workers. Mr Murmann is among a minority who openly criticised the "alliance for jobs" initiative by IG Metall, the engineering union, which proposed wage restraint in exchange for more jobs. Mr Murmann is expected to be elected president of Unice, the European Employers' Federation. *Wolfgang Münchau, Frankfurt*

Brussels targets fibres sector

The European Commission has decided to toughen controls on the amount of state aid that can be paid to certain sectors of the synthetic fibres industry. New measures coming into force April 1 when the old regime on state aid expires will require member states to notify the payment of any aid to a synthetic fibres producer, regardless of whether it is covered by a previously authorised scheme.

Under the old code, investment aid was only allowed to be paid if its aim was to significantly reduce production. Aid not intended for this purpose was outlawed, even if the market concerned was suffering a structural shortage of supply.

Under the new code, the state of the market will become a vital consideration in assessing the payment of state aid. The new code will also limit the amount of aid that can be paid. Big companies, for example, will face much stricter limits. Although the new code has a three-year term, it is likely to be superseded before then by a new Commission framework on state aid to all industries. *Emma Tucker, Strasbourg*

Bonn plan for more Eurofighters

Mr Volker Rühe, Germany's defence minister, will today go before the parliamentary defence committee and argue the case for an unspecified number of extra Eurofighter aircraft to support Germany's efforts to secure 30 per cent of the work on the £32bn defence project, Europe's biggest.

Press reports, which were not confirmed by the Defence Ministry, suggested Mr Rühe would ask the committee to approve the purchase of 40 extra Eurofighters, each costing about DM100m, after 2012. If Mr Rühe can persuade the defence committee to approve the extra aircraft he must still push the measure through the budget committee later this year, an exercise which is expected to be difficult at a time of shrinking defence expenditure.

Michael Lindemann, Bonn

Mitterrand was 'unfit' in 1994

François Mitterrand's personal physician sparked a political furore yesterday by saying the late French president was unfit to govern from November 1994 because of cancer.

Mitterrand's family yesterday filed a lawsuit against Dr Claude Gubler for violating medical secrecy in his memoirs, which are published today. Dr Gubler, in his book *Le Grand Secret* (The Big Secret), said the Socialist president was diagnosed with cancer a few months after he was elected in 1981. In the intervening period, the doctor said he knowingly published dishonest medical reports every six months at the president's request.

Dr Gubler wrote that, in his opinion, Mitterrand had been unfit to remain in office from November 1994 because he was so ill that he had to spend most mornings lying down and resting at the Elysée palace. The book has drawn condemnations from prime minister Alain Juppé, Mitterrand's former chief-of-staff Hubert Vedrine, and the French medical association. *Reuter, Paris*

France requisitions more flats

The French government yesterday announced plans to requisition 700 vacant flats from some of the country's largest financial institutions in an accelerated effort to house homeless and poorly-lodged people in the Paris region.

The institutions will receive FFr25 (£3.27) per square metre, regardless of location, for periods of between three and five years, a fraction of the market rent, though the state will undertake renovation to make the property habitable. Mr Pierre-André Perissol, minister for housing, also announced plans for a new law to allow such action to be carried out more easily and systematically. Some 500 apartments were requisitioned last August. *Andrew Jack, Paris*

NEWS: EUROPE

France suggests Nato dialogue on nuclear arms

By Bruce Clark, Diplomatic Correspondent

France, as part of its policy of moving closer to Nato's military structures, will today put to its fellow members of the alliance the idea of a political dialogue on the role of nuclear weapons.

The proposal, which will be raised in Brussels at the weekly meeting of ambassadors from Nato's 16 members, does not imply any watering down of France's staunch independence in nuclear matters.

But the willingness of Paris to exchange ideas on nuclear arms in a Nato forum amounts to a fresh, symbolic step towards reintegration with the alliance from whose military wing France walked out in 1966.

Diplomats said the dialogue was seen by Paris as a follow-up to its controversial suggestion last year that a French "nuclear umbrella" be extended to other parts of Europe.

Nato thinking still envisages a role for US and British nuclear weapons, even though the cold war doctrine of "flexible response" – the early use of nuclear arms in response to a conventional Warsaw pact attack – has lost its immediate relevance.

France will also reaffirm today its month-old declaration that it wants to participate fully in most meetings of Nato defence ministers. However, it will still stay out of the two institutions – the nuclear planning and defence planning committees – under whose wing most of Nato's recent ministerial meetings have taken place. Diplomats said France saw no reason why all 16 defence ministers could not meet under some other aegis. If necessary, one part of such meetings could be set aside for matters directly under the remit of the two committees – such as the internal workings of Nato's military structure – and the French minister could temporarily withdraw.

France will also confirm its intention of upgrading the status of its representative on Nato's military committee, which groups senior officers from all 16 states, and of broadening the range of topics on which he speaks. On all discussions relating to Nato's future – ranging from enlargement to the new models of US-European co-operation – France was keen to participate fully. The latest French pronouncements will serve to keep the ball rolling in discussions over European security, without forcing Paris to climb down from the fundamental tenets of its defence doctrine, observers said.

If there is one area where France has made a real concession, it is in the quiet abandonment of any attempt to turn the Western European Union, a 10-nation defence club, into a rival of Nato.

The WEU is supposed to be developing both as the defence arm of the European Union, and the European pillar of Nato. France, which initially stressed the former aim, has now accepted that the latter project – in other words, developing European defences in conjunction with North America – is the more realistic one for the immediate future.

UN plans to return over 2m Bosnians to homes

By Frances Williams in Geneva

UN High Commissioner for Refugees Sadako Ogata (left) with Europe's Balkans negotiator Carl Bildt in Geneva yesterday Reuter

Mrs Sadako Ogata, the United Nations High Commissioner for Refugees, yesterday outlined an ambitious repatriation programme for Bosnia aimed at returning and resettling more than 2m people forced from their homes during the four-year conflict.

Presenting the plans to a meeting of 60 governments and humanitarian agencies, Mrs Ogata said she hoped some 870,000 people might return this year, starting in the spring. She urged European governments to continue temporary protection for an estimated 700,000 Bosnian refugees until it was clearly safe for them to return. About half of these are in Germany.

"Let us make sure that the promise of peace signed in Paris is becoming a reality on the ground before we take a step that will affect the lives of hundreds of thousands of people, who have already endured enormous hardship in the past," Mrs Ogata said.

The UNHCR, which led the humanitarian assistance effort throughout the war, was given responsibility for the repatriation programme under the Dayton peace accords signed in Paris last month.

Mrs Ogata said the UNHCR had reached agreement in principle on the plan with both the Moslem-Croat federation and the Bosnian Serb authorities.

The "phased and orderly voluntary return programme" will give priority to the estimated 1m displaced people inside Bosnia followed by the 670,000 living in the other former Yugoslav republics. The plan envisages the return or resettlement in Bosnia this year of about half the displaced people inside the country, 170,000 from elsewhere in the region and 200,000 from other European countries.

While returnees had the right to reclaim their homes, Mrs Ogata acknowledged that many would choose to resettle in areas where they formed part of the majority group.

The UNHCR will appeal next month for funding. Estimates indicate that it will need \$300m-\$400m to finance its programmes throughout former Yugoslavia in 1996. This will include the cost of providing food and humanitarian aid to some 2.8m people in Bosnia.

The UNHCR is also asking governments in asylum countries to cover the transport costs of returning refugees and provide them with a cash resettlement grant.

Montenegrins question Serbia ties

A tiny state considers the value of Belgrade's sham federation, writes Laura Silber

Montenegro, a tiny mountainous statelet wedged between Albania, Serbia, Croatia and Bosnia, paid a steep price for remaining a junior partner of Serbia during four years of a war it had little power to influence.

But now, with the Dayton peace accords coming into effect and the UN sanctions it suffered along with Serbia lifted, its 617,000 people are thinking hard about their future and the value of remaining in a sham federation with a Serbia of 9m people which treats it like a small tail on a large dog.

Many Montenegrins are in a hurry to rejoin the international community and rising economic privation has emboldened calls for independence. Mr Milo Djukanovic, the prime minister, in a recent interview spoke of a "growing consciousness that the republic can build economic independence, not relying on Serbia".

But economists say it will take five years to regain the 1992 level of production. Even before the war Montenegro was one of the poorest Yugoslav republics. Since then the average monthly wage has dropped to the equivalent of \$138.

Montenegrins have a lot in common with Serbs, but the political climate is very different. Last month MPs from Montenegro's ruling Democratic party of Socialists and the opposition furiously debated next year's budget in Podgorica, the capital. In Belgrade the budget was adopted without real debate for the second successive year as the opposition again boycotted parliament.

Under President Momir Bulatovic, Montenegro is also pushing economic reforms. Many state enterprises have been privatised. In Serbia, where the old language of socialism is replacing the language of nationalism, the process has come to a halt or even, in some cases, been reversed.

> Montenegro's epic poet provides the slogan for the state's struggle against the impossible throughout its history: 'Let it be what cannot'

An atmosphere of relative tolerance seems to prevail in Montenegro. There is a commitment, at least on paper, to secure minority rights in a country which is 61 per cent Montenegrin (a nationality created by the Communist regime), 14.5 per cent Moslem (another artificially created "nationality"), 9 per cent Serb and 6 per cent ethnic Albanian, according to the 1991 census.

Refugees from neighbouring Bosnia and Croatia have increased the population by 10 per cent, according to official statistics, emphasising the importance of the minority rights issue.

For the time being, Montenegro enjoys only as much autonomy as Belgrade allows. At the first peace conference in The Hague in 1991, Mr Bulatovic tried to assert his independence by voting against Serbia in favour of forming six separate states on the ruins of Yugoslavia.

It took just a few days for Belgrade to force Montenegro to withdraw its vote after allegations that Italy had tried to lure Mr Bulatovic away with promises of generous aid.

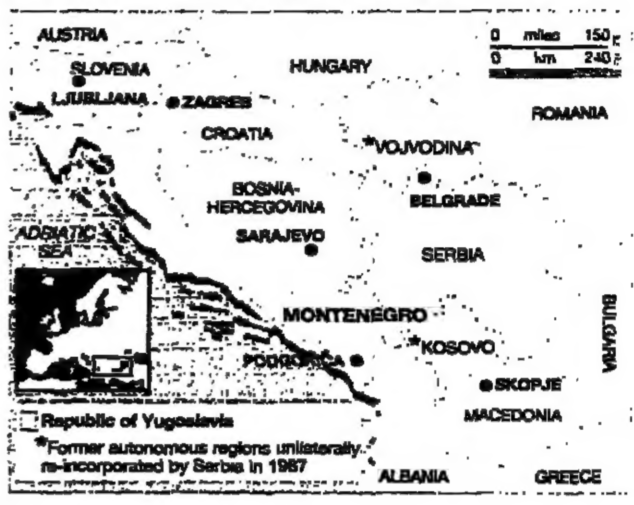
That conference took place at the height of the onslaught on Dubrovnik, Croatia's Adriatic resort, when volunteers from Montenegro gained infamy by loading televisions and other booty into cars stolen from Croatian villages just over the frontier.

For centuries, Montenegrins boasted of their warrior past, proud of defending their mountain kingdom after Serbia fell to the Ottoman Turks.

They still quote their epic poet, Bishop Petar Petrovic Njegos, whose words "let it be what cannot", has become a catchword for their perceived struggle against the impossible.

Under the Treaty of Versailles, Montenegro joined the Yugoslav kingdom of Serbs, Croats and Slovenes created in 1918.

Montenegrins and Serbs share ethnic and religious roots and the mountain state remained with Serbia in Yugoslavia's two later incarnations, the communist federation of six republics founded by Tito after the second world war, and the current state, reconstituted in 1992.



Now even the Montenegrin leadership, once slavishly obedient to Belgrade, seems to hold the independence card in reserve and insist on equal treatment in a federation where Serbia always has had the final word.

Mr Novak Kilibarda, head of the People's party, the biggest opposition group which identifies with Serbia, says: "The government wants a common state only as long as it is opportune."

Prime minister Djukanovic says, "if the republic wants to change its position in the federation, another plebiscite will be held", but reaffirmed his personal commitment to a unified Yugoslav state. He also made clear his belief that his party could remain in power while relinquishing its hold over the economy.

Meanwhile, the future status of the Prevlaka peninsula, the southernmost part of Croatia which juts into Montenegro's Bay of Kotor, remains one of the obstacles to normalisation of relations. President Bulatovic says he is confident that this last point of contention could soon be resolved, although he blamed Croatia for reneging on a commitment to exchange Prevlaka for Bosnian Serb land behind Dubrovnik.

But for Mr Slavko Perovic, head of the opposition Liberal Alliance, Prevlaka is unimportant – he just wants an independent Montenegro. "Prevlaka has always been part of Croatia and we do not want one inch of anyone else's land," he says.

NEWS: THE AMERICAS

Shift of focus in Orange County probe

By Christopher Parkes in Los Angeles

The focus of the probe into the \$1.7bn Orange County bankruptcy scandal is expected to shift firmly to financial services firms following a deal freeing a prominent former government official from the threat of federal prosecution.

Mr Matthew Raabe, ex-assistant county treasurer, who has complained of a conspiracy of silence among others who wanted to see him bear the blame for the unprecedented collapse, is expected to be dropped from the Securities and Exchange Commission's investigation within days.

Under a so-called "consent decree" Mr Raabe – without admitting to any wrongdoing – will agree not to commit any securities offences in future.

Observers closely linked with the bankruptcy said similar bargains were expected with other elected and appointed government officials, but financial services professionals could expect no such leniency.

The deal with Mr Raabe is the first decisive move in a year-old SEC probe which is believed to embrace a wide spectrum of advisers, underwriters and brokers.

Mr Raabe, former members of the Orange County board of supervisors, local utilities, and several financial firms were served last autumn with notifications that the SEC intended to pursue suspicions that they had violated federal securities laws.

For example, CS First Boston, the county bond underwriter, has acknowledged receiving such a notification but yesterday refused to comment.

Merrill Lynch, the investment group at the centre of civil actions launched by the Orange County administration, yesterday refused to confirm or deny it had also been served with a similar warning.

Education authorities are among local agencies warned of impending SEC action over their issue of so-called "casino" bonds, the proceeds of which were invested directly in the Orange County investment pool which dried up in December 1994.

According to recently-leaked evidence from grand jury hearings, Mr Raabe, who still faces trial in county court on securities fraud charges, has spoken freely in testimony.

Although he pointed a finger firmly at Mr Robert Citron, the former county treasurer awaiting sentence after pleading guilty to fraud charges, he said there were "people who committed acts who... would prefer that this case ends with an indictment and conviction of Citron and myself so that they can go free".

According to Mr Raabe's lawyer, their client would probably agree to co-operate with any further SEC investigations.

US, Mexico hail drug baron's capture

Leslie Crawford looks beyond the arrest and extradition of Juan Garcia Abrego

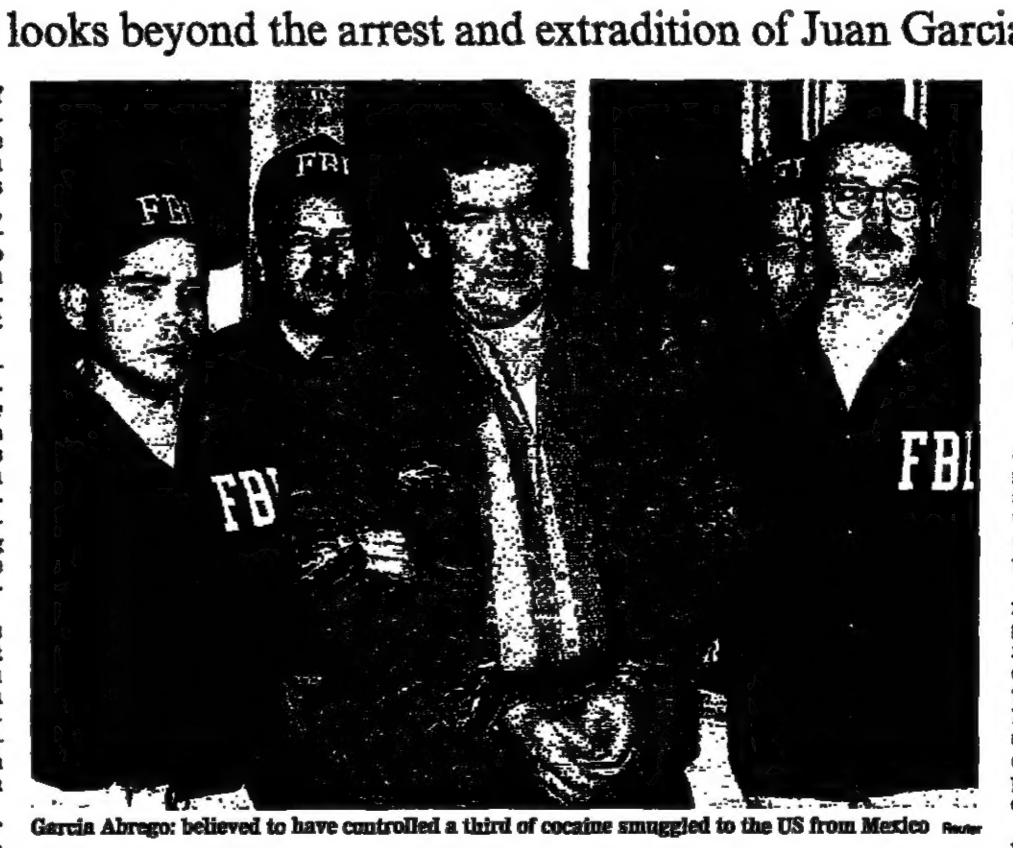
The governments of Mexico and the US yesterday celebrated the capture of Mr Juan Garcia Abrego, one of the world's most wanted drug traffickers, although his arrest and deportation to the US is likely to spark a fresh war between Mexico's rival cartels for control of the illicit empire he left behind.

Mr Garcia Abrego's Gulf Cartel is believed to have controlled one-third of the cocaine smuggled into the US from bases that spanned Mexico's entire eastern coast. He built a fortune of several billion dollars by forging links with Colombian cartels and organising the shipment of their cocaine across Mexico's 2,000-mile border with the US.

The US-born drug baron was put on the FBI's Ten Most Wanted Criminals list after a federal grand jury in Houston charged him with money laundering and other drug-trafficking crimes in 1993. There was a \$2m reward for information leading to his capture.

Mexican agents arrested Mr Garcia Abrego in the northern city of Monterrey on Sunday. On Monday, he was bundled into a light aircraft – handcuffed, kicking and screaming – and deported to Houston, where US officials say he faces a life sentence if convicted.

Mexican and US drug enforcement agents say they will now concentrate their fire on Mr Amado Carrillo Fuentes, leader of the Juarez cartel, who is reputed to be the most powerful of Mexico's many drug traffickers. Known as the Lord of the Skies, Mr Carrillo Fuentes was six years ago little more than an errand boy for the Pacific Cartel which has since been dismantled.



Garcia Abrego: believed to have controlled a third of cocaine smuggled to the US from Mexico Reuter

Mexican officials say they face innumerable obstacles in the battle against home-grown drug cartels, which have become more powerful and sophisticated with the blows inflicted upon Colombia's Cali and Medellin syndicates.

Mexican drug barons are now thought to control more than 75 per cent of the cocaine that enters the US. Drug money has corrupted Mexico's federal police and anti-narcotics squads, and, many Mexicans fear, the highest echelons of government. In addition, officials say, Mexico's creeking and antiquated legal system lacks the basic weaponry to combat organised crime.

There are no laws penalising criminal conspiracies in Mexico, and no effective laws against money laundering.

Nevertheless, Mr Garcia Abrego's arrest was seen as a triumph for Mr Antonio Lozano, the attorney-general, who has fired hundreds of corrupt police officers and restructured the regional headquarters of his anti-narcotics department in an attempt to sever the all-too-often cosy relationship between top law enforcement officers and drug traffickers.

Mr Lozano, the only opposition member in President Ernesto Zedillo's cabinet, is hated by the ruling Institutional Revolutionary Party (PRI). But he has earned the respect of the broader population for battling corruption within the police forces.

In Washington, Mr Nicholas Burns, State Department spokesman, hailed Mr Garcia Abrego's capture as a "breakthrough in the struggle against international drug traffickers." He said it would "enhance US-Mexican collaboration in anti-narcotics matters."

Mr Garcia Abrego's immediate deportation to the US, however, was criticised by some opposition members of the Mexican Congress. "It is clear the Mexican government arranged for Garcia Abrego's rapid extradition to conceal his connections with leading politicians and bureaucrats," said Mr Guillermo del Rio Ortegon, a senator for the leftwing Revolutionary Democratic Party.

US drug enforcement agents say they have no proof Mexico's drug syndicates have infiltrated the government, although the agents concede that the vast wealth of some Mexican politicians raises questions about the origin of their fortunes.

Mr Zedillo has said he regards drug traffickers as the gravest threat to Mexico's national security and has engaged the armed forces in the war against drugs. Over 12,000 troops have been deployed in northern states to eradicate marijuana and opium poppy plantations and to intercept clandestine flights.

Mr Garcia Abrego is alleged to have owned more than 10,000 hectares of ranchland in northern Mexico, where cocaine-loaded aircraft could land undetected. His fortune allowed him to buy off about 10 per cent of Mexico's anti-narcotics federal police agents, according to a government report obtained by Mexico City's La Jornada newspaper.

However, his influence began to wane once the US Drug Enforcement Agency turned its sights on him.

His brother Humberto was captured in October 1994, and his chief lieutenant, Mr Jose Adolfo de la Garza, fell a year later.

Thaw to unleash flood of US data

By Michael Prowse in Washington

US government agencies resumed publication of economic data yesterday after a gap of nearly five weeks caused by the budget dispute and last week's East Coast blizzard.

The Commerce Department said housing starts rose 5.7 per cent between October and November to a seasonally adjusted annual rate of 1.42m. This was a bigger gain than expected, but few economists expect housing to show much vitality in December or January.

The lack of official data has contributed to an edgy mood in financial markets, partly because the economy was seen as losing momentum before the statistical blackout. "The anecdotal evidence suggests an economy where final demand is tired and inventory production has been excessive," said Mr Robert Dederick, economic consultant at Northern Trust, a Chicago bank.

He said the Federal Reserve was likely to "lend a helping hand" by cutting interest rates at the end of this month.

Data-starved analysts can now look forward to a steady stream of figures. However, the delayed data will be hard to interpret for several weeks. Even the more timely numbers "will have limited information value since they will be distorted by the effects of the shutdown and the weather," according to Mr Jim O'Sullivan, an economist at J P Morgan, the New York bank.

Trade statistics for October will be released tomorrow as well as the Fed's "beige book" assessment of regional trends. The beige book will be up to date because the Fed was not affected by the government shutdown.

On Friday the Commerce Department will release revised figures for third quarter gross domestic product on the new "chain-weighted" basis (which compensates for changes in the structure of prices) as well as data on new home sales in November.

Quebec separatists' drive unsettles business confidence

By Bernard Simon in Toronto and Robert Gibbens in Montreal

Quebec separatists' push towards independence could help drive two pillars of Montreal's business community from the French-speaking province.

Bank of Montreal, Canada's oldest and third-biggest bank, warned this week that it would be obliged to move its head office from Montreal if Quebec broke away from Canada. The bank is also considering changing its name.

Separately, the Canadian Pulp and Paper Association is expected to decide soon whether to move its annual paper week conference and exhibition, which is considered one of the premier events in the international forest-products industry calendar, from Montreal to Vancouver. The event, to be held later this month, attracts about 15,000 people.

Western Canadian pulp and paper producers have been pressing the CPPA for some time to expand its presence on the west coast.

The separatist camp came within a hair's breadth of winning an independence referendum last October, and is confident it will gain a clear majority when the next vote is held.

Mr Lucien Bouchard, the separatist leader who takes over as Quebec premier this month, has pledged top priority to the province's sputtering economy. However, observers expect him to aim for another referendum sometime in 1997. The federalist opposition in the province is in disarray.

Mr Matthew Barrett, Bank of Montreal chairman, told the annual meeting that without imaginative new strategies to hold the country together, "there are several reasons to fear that [in the next referendum] the partisans of independence would carry the day and force all Canadians into an economic crisis."

The bank says a break-up would push up interest rates by 3-4 percentage points, and drive the Canadian dollar down to 68.5 US cents from its current 73.30 cents. The impact would be especially severe in Quebec, whose gross domestic product could fall 7 per cent in the first year of independence.

The threat of secession has prompted a steady exodus of capital and talent from Montreal in the past two decades. Although Bank of Montreal still has its head office in the city, most senior executives now work in Toronto. Montreal has the highest office vacancy rate among Canadian cities, and Quebec's unemployment rate is well above the national average.

BMW to tackle car crime in S Africa

By Roger Matthews in Johannesburg

BMW, the German luxury car manufacturer, has taken the extreme step of trying to protect its market share in South Africa by including anti-theft and hijacking insurance in the price of new models.

The decision has been taken to challenge the soaring premiums charged by insurance companies because of the perception that BMWs are the favourite targets for the country's increasingly active vehicle thieves and armed hijackers.

In 1994 vehicle thefts rose nearly 30 per cent from the previous year to 110,000, and a further but smaller rise is expected to be revealed when statistics are available for the past 12 months. The worst affected province is Gauteng, which includes greater Johannesburg and Pretoria, where hijacking is particularly prevalent with 9,400 vehicles seized by armed groups in the first 11 months of last year and 43 drivers murdered during the robberies.

Mr Chris Moerdyk, the public affairs manager at BMW, yesterday said the company had suffered from the widespread public perception that its cars were most at risk. "On the cocktail party circuit in northern Johannesburg and in the media the idea was being circulated that only BMWs were being hijacked. If it had gone on we would have been wiped out in a few years," he said.

Mr Moerdyk said this had resulted in insurance companies demanding ever-increasing premiums from BMW owners. "Premiums had risen to ludicrous levels," he said. "Whereas, worldwide, a reasonable insurance figure would be between 5 per cent and 10 per cent of the retail value of the vehicle, owners here were being asked to pay as much as 25 per cent. It was clear that the insurance companies were trying to squeeze as much as they could out of our owners."

The situation was made worse for BMW by the reluctance of the police and insurance companies to provide a breakdown of statistics showing which makes of cars were most sought by the hijackers. But figures leaked by the National Crime Information Centre have provided relief for BMW. They show that hijackers last year did not discriminate against particular manufacturers and their thefts broadly reflected market share.

This put Toyota at the top of the league, with BMW representing just 6.19 per cent of all vehicles hijacked, 1.4 points below its market share. "This confirms exactly what we have been saying all along. BMW drivers are at no greater risk than anyone else," said Mr Moerdyk.

He added that BMW had already received a positive response to its insurance plan, which costs the company about 5 per cent of a new vehicle's value. Customers are encouraged to secure collision and damage cover from their regular insurers.

BMW is also taking the fight more directly to the hijackers. As part of an anti-crime initiative launched by Business South Africa, the employers organisation, 100 of the most powerful BMW models are being delivered to the Gauteng police to supplement its vehicles, most of which are unable to match the hijackers for speed.

The 100 cars, worth R22m (£4m), will initially be on loan to the police, pending a response from President Nelson Mandela to Business South Africa's suggestions for tackling the nation's crime wave. Assuming the response is favourable, it is likely that a substantial part of the cost of the cars will be borne by BMW as its contribution to the Business SA initiative.

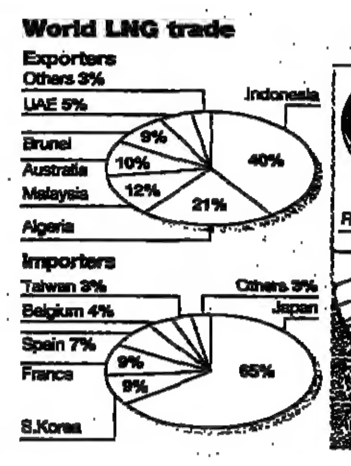
Nigeria joins the club of LNG exporters

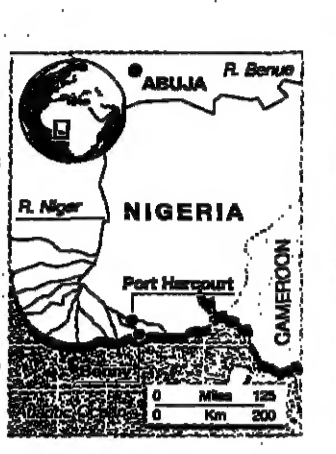
There are commercial and environmental arguments for the gas project, writes Paul Adams

A clearing on the edge of the Bonny River has replaced the fishing village of Finema, now relocated downstream, and marks the site of Nigeria's most important industrial project.

The liquefied natural gas plant near Port Harcourt will take Africa's biggest oil producer into the exclusive club of LNG exporters by the end of the decade.

In 1999, Nigeria LNG's plant at Bonny will start producing 7bn cubic metres a year, about 8 per cent of the output of the world's eight big producers, led by Indonesia, Algeria, Malaysia and Australia.






Nigeria's General Sani Abacha

Other projects are starting to tap the gas potential in Nigeria. Agip is supplying gas to the Eleme petrochemicals plant near Bonny, where Shell has the largest crude oil terminal in the country.

Mobil's natural gas liquids plant, which will extract butane and propane from the Oso condensate field, is already under construction a mile away from the LNG site. By the turn of the century this remote corner of eastern Nigeria, which until recently was not even linked by road to the nearest city, Port Harcourt, will be the most important industrial area in Nigeria.

But Nigeria LNG is the biggest and most controversial of all these schemes. The go-ahead for the project in mid-December should have been cause for celebration: the $3.8bn (£2.46bn) gas plant is the most valuable project in Africa and Nigeria's biggest single investment. But when the main contracts were signed in Lagos there was mainly relief from the partners – Royal Dutch Shell, Elf Aquitaine, Agip and the Nigerian National Petroleum Corporation – that Nigeria's most important step to developing its vast gas reserves had overcome political pitfalls which had blighted the project since its conception 30 years ago.

Just before the signing was due, the execution of Mr Ken Saro-Wiwa and eight other Ogoni activists brought worldwide condemnation of General Sani Abacha's military regime. Infuriated critics of the government turned on Shell, which as the biggest oil company in Nigeria, had been the target of the Ogonis' campaign and is lead partner in the LNG project, and demanded that it pull out of the gas scheme or face a consumer boycott.

Shell insisted that halting the project would harm Nigeria more than the regime, which has pledged to hand over power in 1998. No revenue will flow to the government until all the investment costs have been repaid in 2007. The International Finance Corporation, the commercial loan arm of the World Bank, withdrew its offer to take 2 per cent of the equity and head $300m in credits, but the other partners stood firm.

The engineering and procurement contract was awarded to a consortium of Technip, Snamprogetti, MW Kellogg, and Japanese Gasoline Corporation for a plant which by mid-1999 will make Nigeria an exporter of LNG worth about $1bn a year.

By 1997 the heavy process equipment will start to arrive at a purpose-built jetty and the contractors will employ more than 6,000 workers, mostly Nigerians. Nigerian gas has to be liquefied and shipped, an expensive process. The gas has to be compressed by a factor of 600 to a temperature of minus 162°C before being exported in special ships.

Both the commercial and environmental arguments for the LNG project are strong. The total development cost is less than for other countries planning LNG schemes because the gas supply is already there, much of it going to waste.

The LNG project has minimal dependence on the rest of the Nigerian economy and the government. The initial output of 5.8m tonnes is all for export under forward contracts signed with overseas power utilities: Enel of Italy will take at least half, with the most of the rest going to BOTAS of Turkey, Enagas of Spain and Gaz de France. About 7 per cent is still under negotiation.

In the 1994 agreement which revived the LNG project, the government cut its normal majority holding in all energy projects through NNPC to 49 per cent, allowing Shell (25.6 per cent), Elf (15 per cent) and Agip (10.4 per cent) to take control. Furthermore, shareholders' capital is all in escrow accounts which avoids the risk of payment arrears from the government for NNPC's stake which have plagued the oil producing joint ventures in recent years.

Of the $3.8bn project cost, $500m has already been invested in four LNG ships and initial site clearing, just over $2bn is in the escrow accounts, another tranche of shareholder capital is due next June and the balance will come from interest on the deposits. Nigeria is off cover for most international banks and aid agencies, so raising loans has proved almost impossible.

"It is the first project of this kind in Nigeria which has carried out an approved environmental impact assessment prior to construction," said Mr Theo Oerlemans, managing director of Nigeria LNG, which has received permits from the petroleum ministry and the environmental protection agency for the scheme. The company says it has also negotiated with officials and local inhabitants on the route of the 270km pipeline bringing the gas from the fields to Bonny.

There are environmental benefits to the scheme. Nigeria's oil fields produce gas for which there is no internal market, no means of export, and which cannot be re-injected because of the ground is moist and sandy. The equivalent of 200,000 barrels of oil a day, more than 10 per cent of Nigeria's Opec oil quota, is flared at the well heads.

This wasteful process harms the environment, and has caused much friction between oil companies and local communities. The LNG plant will reduce the flaring substantially, as it takes gas from fields operated by the three main onshore producers in Nigeria – Shell, Agip and Elf.

INTERNATIONAL NEWS DIGEST

Bloodless coup in Sierra Leone

Sierra Leone's military leader was ousted by fellow officers in a coup yesterday, six weeks before elections planned to return the country to civilian rule, state-run radio reported.

There were no reports of bloodshed, and the ousted leader, Captain Valentine Strasser, was promised safe passage out of his war-torn, impoverished country. Heavily armed soldiers patrolled the streets and blocked roads leading to government headquarters. An overnight curfew was announced.

A statement said Capt Strasser had been replaced by his former closest associate in the junta, Brigadier Julius Maada Bio. It promised a statement later from Brig Bio.

The radio announced that some in Capt Strasser's military junta had decided a coup was necessary to ensure a safe transition to civilian rule. Capt Strasser had vowed to hold elections for a civilian government on February 26, despite an ongoing civil war. Aides close to Brig Bio said he opposed holding the election until the war had ended, or at least until it had abated. *AP, Freetown*

Israel claims monetary success

The Bank of Israel claimed vindication for its tight monetary policy yesterday following the announcement that Israel's 1995 inflation rate was 8.1 per cent, the lowest in 26 years.

To combat Israel's chronically high inflation, Mr Jacob Frenkel, Bank of Israel governor, has kept interest rates relatively high while enduring criticism from manufacturers and members of the government.

Inflation's sharp decline from 14.5 per cent in 1994 met the government's target band of 8 to 11 per cent and was achieved while the economy grew almost 7 per cent and unemployment shrunk to 6 per cent. The positive figures are likely to reassure foreign investors. *Mark Dennis, Jerusalem*

Child soldier treaty 'blocked'

Child welfare organisations yesterday accused the UK, the US and other governments of blocking attempts to draft an international treaty prohibiting recruitment of child soldiers. The International Save the Children Alliance and the Quaker United Nations office said the governments were opposing an outright ban on the military recruitment of children under 18, frustrating the work of an intergovernmental working group which is trying to draw up an optional protocol to the UN convention on the rights of the child.

The US, South Africa and Pakistan are arguing for a lower minimum age while the others, including the UK, want the right to take under-18s as volunteers. Save the Children says this would weaken the convention since most child soldiers joined the ranks voluntarily. *Frances Williams, Geneva*

Saudi dissident appeals in UK

Mr Mohammed al Massaari, the Saudi dissident ordered out of the UK earlier this month, has lodged an appeal against his removal. Mr al Massaari said yesterday his appeal would be based on a claim that the Caribbean island of Dominica, to which the UK arranged to send him, was unsafe and a place where the Saudi authorities could easily attack him. Mr al Massaari said that, as a parallel measure, he was also launching a judicial review in the high court to contest the legal reasoning behind the decision to remove him.

Mr al Massaari's case, which the UK has admitted was based on commercial considerations following Saudi pressure and lobbying efforts by the UK's defence industry, will be heard before an independent adjudicator. *Roula Khalaf, London*

Jordan and Israel sign transport pact

By Mark Dennis in Jerusalem

Jordan and Israel yesterday signed a wide-ranging transportation pact, a vital step for both countries in their efforts to become regional business and transportation hubs.

The agreement strengthens ties between the old foes and follows a trade deal signed last October, which gives Jordanian goods preferential access to the Israeli market. A free trade deal, which was postponed due to Jordanian hesitation, is envisioned after three years.

The transport pact, due to go into effect next month, covers air, sea and land links between the two countries, who ended 46 years of an official state of war in October 1994. The pact had been delayed for three months while officials hammered-out a deal on sensitive air-corridor issues.

The most dramatic initial effect will be on public transportation links and the ease of movement for commercial vehicles. Israeli and Jordanian trucks will be able to cross each other's territory and Jordanian trucks will gain direct access to the Palestinian territories. Busses will run directly between Israeli and Jordanian cities.

In addition, the countries will be able to use each other's ports. Israel's Haifa and Ashdod ports on the Mediterranean will boost Jordan's trade with Europe. Jordan's port is Aqaba on the Red Sea, whose large facilities will help Israel's trade with Asia.

Four flights a week are initially scheduled each way between Amman and Tel Aviv. The air routes will be served by the Jordanian national carrier Royal Jordanian and Israel's El-Al and Arkia.

Direct air links between the two countries will greatly reduce travel time, which can take hours over land due to border bureaucracy. A flight takes only 14 minutes and a business air-shuttle will start soon. The pact also calls for the construction of a joint airport between Aqaba and Eilat. The two countries will explore southern and northern rail links, which will further facilitate Jordan's trade with Europe.

Although trade between the countries has been minimal since the peace treaty, tourism in both countries has markedly increased and officials say the pact should further increase package tours to Jordan and Israel. Israeli and Jordanian citizens will also be able to drive their own vehicles between the countries, although Israelis will have to change to Jordanian licence plates at the border for security reasons.

The two countries are tomorrow scheduled to sign the remaining accords on the list of joint co-operation. These are related to communications, science, culture, and technology, marking maritime borders and the joint airport project.

Samsung, NEC to standardise SD-Ram chips

By Michiyo Nakamoto in Tokyo

NEC of Japan and Samsung of South Korea, two leaders in the memory chip market, have agreed to standardise specifications for a new type of chip expected to become increasingly dominant in the market.

The agreement to align their specifications for synchronous dynamic random access memory chips (SD-Rams), will improve the companies' chances of taking a larger share of the memory market. SD-Rams are used in computing and telecommunication systems when rapid access is required.

NEC, the second largest semiconductor manufacturer in the world, and Samsung, the sixth largest, according to Dataquest, the US high-technology consultancy, already have a combined 80 per cent share of the SD-Ram market.

By aligning their specifications, "NEC and Samsung are looking towards taking the lead in a technology where there is going to be strong demand for stable and consistent supply," NEC said yesterday.

SD-Rams, which are more efficient in data transfer and receipt than conventional D-Rams, are forecast to increase their share of the D-Ram market from just under 10 per cent at present, to about 70 per cent by 1998.

"The technology, which is needed for leading-edge equipment, will become dominant in the next three to four years," according to NEC.

SD-Rams are relatively new and producers have been using different specifications.

By standardising these, NEC and Samsung will be able to provide more stable supplies, raising the chances that their specification will become the industry standard.

SD-Rams are currently about 5 per cent more expensive than standard D-Rams. However, NEC hopes their price will be the same as standard D-Rams by 1997.

The latest agreement reinforces the co-operation between the two companies, which have been working together in the development of advanced memory chips and microcomputers.

World semiconductor sales rose to $155bn in 1995, up 40 per cent on the previous year, according to recent figures from Dataquest. Strong demand from the personal computer industry is driving the growth.

Analysts believe global demand for memory chips will be further boosted by the growing popularity of memory-hungry multimedia software which requires powerful personal computers, and by increasing demand for semiconductor devices outside the electronics industry.

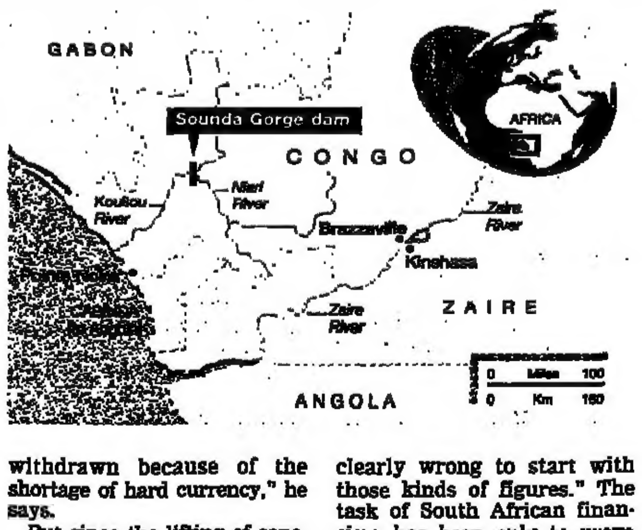
S Africa eyes Congo dam project

Financiers boldly go where others fear to tread, writes Mark Ashurst

At Sounda Gorge, the confluence of the Niari and Kouilou rivers in the Congo, South African financiers are boldly going where their European counterparts fear to tread.

Early next century, the tropical gorge is expected to house a $925m hydroelectric dam.

Its dimensions will be of epic proportions: a wall 245km long, 1km wide and 95m high, retaining 35bn cubic metres of water. On completion of the third phase, the generating capacity will be 1,000MW of electricity, which is about 14 times the Congo's current output and more than enough to end the Congo's dependence on imports from Zaire and become an exporter in its own right.



Past attempts to get the project off the ground have foundered, although the demand for electricity from Elf Aquitaine and Agip, oil companies with plants at the Atlantic ocean port of Pointe Noire, has long been recognised.

Prior to independence in 1960, the French built access roads, a cement processing factory and, crucially, a deviation tunnel for the river. Eléctricité de France, the French state-owned company is one of many parties that have tried without success to finish the job.

Mr André Strydom, general manager of Rand Merchant Bank's international division which is financing the project's first phase, is phlegmatic about the risks of investing in Africa. "Corruption is rife, the political and commercial risks are huge, and most of the American and European banks have withdrawn because of the shortage of hard currency," he says.

But since the lifting of sanctions against South Africa, European and American institutions have begun to see the continent's southernmost tip as the springboard for investment in territories long viewed as enemies by Pretoria.

Inevitably, people with the skills to solicit credit guarantees for secure and bankable transactions are in short supply. Mr Russell Schwartz, an independent specialist who structured the deal, says representatives of various African countries daily arrive in South Africa "with Pandora's boxes of opportunities, but the hit rate is low".

The Sounda Gorge project is among the most audacious non-mining investments undertaken by South African business. The final target of $925m is, recalls Mr Schwartz, "a sum that scared us all to death. It's clearly wrong to start with those kinds of figures." The task of South African financiers has been only to prove that the concept is viable, in this case by adopting an incremental approach which demonstrates the potential return on capital.

Construction has been divided into three phases, beginning with the $50m installation by Interpro, the South African engineering group, of two hydro-electric turbines in the existing diversion tunnel. RMB will contribute $15m, with the balance coming from the Congolese government and European institutions.

By late 1997, these turbines will supply about 10MW of electricity, even before work has begun on the main dam itself. "For a relatively small amount of money, we can generate power and immediate cashflow. We can show this works, quietly, then expand," says Mr Schwartz.

The more costly business of building a dam wall, 40m high at the second phase and eventually 95m in the third, will require external funds. To this end, RMB has pegged the repayment period at seven years, so that punitive debt does not dent the initial cashflow needed to lure overseas investors.

Mr Strydom acknowledges, albeit discreetly, that the legacy of French domination in the Congo has worked in South Africa's favour.

"There is a real desire to see African solutions succeed," he says.

But it is also a mark of the emerging free market in the Congo that both the government and South Africa's export credit agency, the Credit Guarantee Insurance Corporation of Africa (CGIC), have acted independently of French interests in the Sounda Gorge.

Securing export credit guarantees remains the last hurdle for the Sounda Gorge project, and a final decision is expected this month.

For at least as long as the French franc underpins the currencies of francophone Africa, the sensitivity of old colonial participants will remain a critical factor.

"The CGIC does not want to become a political animal. You're walking a tightrope all the time," notes Mr Schwartz. To satisfy their requirement that 70 per cent of the investment must be sourced at home, the turbines will be manufactured in South Africa by Sulzer, the Swiss-based engineering group.

WORLD TRADE NEWS DIGEST

West Africans to cut tariffs

Finance ministers from seven west African states yesterday agreed an interim system of preferential customs tariffs in preparation for free trade within the West African Economic and Monetary Union (UEMOA). The system will lead to a 30 per cent cut in tariffs for approved goods originating from member states. It will also give a 5 per cent reduction for some items originating outside UEMOA.

The ministers, meeting in Burkina Faso, agreed the measures would last for one year after which tariffs would be abolished completely on all goods originating in UEMOA countries.

The UEMOA treaty was signed in Dakar in January 1994, when heads of state of west and central Africa and the Comoros Islands agreed to devalue their common currency, the CFA franc. The union aims to speed up regional economic integration to create a single market of 60m potential consumers. *Reuter, Ouagadougou*

BT in Japan voice services move

British Telecommunications, the UK's dominant telecoms operator, and International Telecom Japan plan to add voice services to the data services they are already providing in Japan. The UK and Japanese companies will offer the new services through Concert, the "global supercarrier" joint venture between BT and MCI of the US. MCI distributes Concert services in the Americas: BT has responsibility, with local partners, for the rest of the world.

The voice services to be provided by BT and ITJ will involve "virtual networks", a technical development giving customers the benefits of leased lines for the cost of public switched calls. ITJ and BT will share responsibility for sales and marketing, while ITJ will install and operate customer networks in Japan. The main competition will come from AT&T Worldpartners. *Alan Cane, London*

■ Ericsson, the Swedish telecoms group, has won a $90m contract from Columbian Empresa Nacional de Telecomunicaciones to supply a local telecoms network. The network, based on Ericsson's AXE public switching system, is for 110,000 subscriber lines. *Christopher Brown-Humes, Stockholm*

■ Met-Chem Canada, a Canadian engineering and design unit of US Steel, will manage construction of a US$1bn steel mill in Karantaka State, India, with completion set for 1997-98, and also a $200m iron pellet plant. Met-Chem has worked in India for more than 25 years. *Robert Gibbens, Montreal*

■ An offshoot of OGC, the Aberdeen-based oilfield services company, has won a two-year contract for offshore construction and maintenance work in Brunei. The contract, with Brunei Shell Petroleum, is worth at least $50m to Laut AOC, a company owned jointly by AOC International, a subsidiary of OGC, and local Brunei interests. *James Buxton*

■ CAE, the Canadian electronics group, plans to develop an aircraft overhaul centre in Pakistan with the Shaheen Foundation, of Pakistan. A joint venture will operate the centre and its first contract will be servicing the Pakistan air force's fleet of Hercules aircraft. *Robert Gibbens, Montreal*

■ Mitsubishi Heavy Industries of Japan has won an order for a cement plant from Sungshin Cement Manufacturing of South Korea. The plant will be capable of producing an annual 3.3m tonnes of clinker, used in the production of cement. Completion is scheduled for the end of 1997. *Reuter, Tokyo*

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Taiwan ends telecoms industry monopoly

By Laura Tyson in Taipei

Taiwan's parliament yesterday passed legislation ending a government monopoly and a ban on foreign participation in the domestic telecommunications industry, amid protests by employees fearing cuts in pay and benefits.

The legislation, proposed three years ago, will make Taiwan's telecom services more competitive and probably cheaper. Unregulated "grey-market" service providers, ranging from call-back services to Internet access providers, have proliferated in recent years, siphoning revenues from the state monopoly.

With advances in technology, demand for more sophisticated services – including cellular communications, paging and data transmission services – has risen sharply in recent years. But deregulation and the legal framework lagged, slowing development of new services and limiting public access.

With the new legislation, the Directorate-General of Telecommunications (DGT), an agency under the Transport Ministry, will no longer be both operator and regulator. Telephone services will be spun off into a state-run corporation, to be called China Telecommunications Corporation, separate from the regulatory authority. Eventually the new entity will be listed on the stock exchange and privatised.

Foreigners will be allowed a maximum one-third stake in common carrier service companies, including domestic and international telephone services, cellular and paging services, Vsat (very small aperture terminal, a satellite link service) and CT2 cordless telephone services.

There will be no curbs on foreign investment in value-added network services such as fax and data forwarding, remote data processing and on-line information services, including the Internet, computerised airline reservation systems, tele-conferencing and format and cable conversion services. Services will be liberalised in phases.

The DGT is one of the Taiwan government's biggest income earners among its various monopolies. Revenues in financial year 1995 were $5.7bn, up 14 per cent from a year earlier. About half of revenues are generated by international telephone calls and cellular services.

The DGT's trade union has demonstrated in recent weeks against the legislation, which it fears will result in redundancies among 36,000 workers and cuts in pay and pensions.

Officials say telecommunications liberalisation is needed to achieve the government's ambition of transforming Taiwan into a regional operations centre for multinational corporations.

Tokyo upgrades economic forecasts

By William Dawkins in Tokyo

Japan's official economic forecaster yesterday upgraded its moderately bright assessment of the domestic economy for the second time in two months. According to the latest monthly report by the Economic Planning Agency, presented to the new cabinet yesterday, the economy is crawling "out of a recent standstill, albeit gradually".

The fine detail of the EPA's wording, always closely watched by financial markets, is markedly less gloomy than last month's report, which said the economy remained in a "prolonged... standstill".

Share prices rose for the first time in four days, helped by US buying and prospects of improved earnings from companies sensitive to the industrial cycle. The Nikkei 225 average ended the day up 279.65 points, or 1.38 per cent, at 20,567.07, also reinforced by comments by Mr George Soros, the international investor, that Japanese shares are good value and that the yen will fall against the dollar over the next two years.

But the main reason for the improvement in the EPA's appraisal yesterday was the improved outlook for industrial companies' output. The agency highlighted month-on-month gains in industrial output in October and November, the most recent months recorded, and expects production to continue rising into the turn of the year.

It was, equally, encouraged by a fall in stocks of unsold goods and materials in November. Officials stressed, however, that the extent to which inventories can go on falling will be an important test of the durability of any recovery.

The report also highlighted a recovery in housing starts and a gradual improvement in corporate capital investment. The outlook for capital spending brightened, with a separately reported 2.1 per cent rise in companies' purchases of machinery from October to November, the second monthly rise in a row. That represented a 10.9 per cent rise in orders in the year to November.

The EPA cited as other risks to the recovery the slowdown in export growth, caused by the weakness of US and European economies, and the possibility of another rise in inventories.

Kobe lifts its head out of the rubble

Business has revived but the quake has left a trail of problems, writes Emiko Terazono

At 9.30 this morning, the emergency alarms at Nestlé Japan's head office in Kobe will start ringing and local employees of the Swiss food and beverage company will file out of the building with their hard hats and survival kits for an earthquake drill.

A year after the quake devastated its office in central Kobe, causing Y2bn ($19m) losses, Nestlé has relocated to another part of the city and operations are back to normal. The company, which transferred its Japanese main office from Yokohama to Kobe after the quake which devastated Tokyo in 1923, says this time it is not moving city. Many of the foreign employees were initially shocked, but there was no question it would leave Kobe, an executive said.

Many companies seem to share Nestlé's view, and the number shifting operations away from Kobe is surprisingly small, says the Kobe Chamber of Commerce Industry (KCCI). Cheaper costs compared to Tokyo and Osaka, and access to Kobe port, continue to be attractions.

The region's business activity has recovered remarkably. The Hyogo prefectural government reckons industrial production has recovered to 85.3 per cent of what it was before the quake. "People tend to think we're still buried under rubble. We would like to correct that perception," Mr Fuyuhiko Maki, chairman of the KCCI, said.

Kobe Steel, a leading steelmaker which suffered Y110bn in earthquake-related losses, restarted its blast furnace ahead of schedule in April, while 90 per cent of Kobe's shoe manufacturers have recommenced operations. Shipments by the sake distillers in eastern Kobe have rebounded.

Cost of the quake

Damage (Ybn)	9,926
Dead	6,308
Injured	34,900
Missing	2
Homes destroyed	188,088
Temporary houses built	48,300
Port berths repaired	82
still unusable	88
abandoned	16
Debris (million tonnes)	20

Source: Hyogo prefecture

Jan 1995: Hanshin Expressway toppled ...

... Jan 1996: completed reconstruction expected by October

Restoration of the region's infrastructure has also been rapid because of heavy government spending in public works reconstruction. Utilities were all restored by April, while the last rail link in Kobe to be rebuilt started up in August.

The main pillars of the Hanshin expressway, the toppling of which became a symbol of the destruction, were rebuilt this month and the whole route is expected to be back in place by October.

Despite the impressive rebound in industrial activity, worries exist that complete recovery to pre-quake levels will take time, or will not happen at all since the earthquake accelerated changes occurring anyway in the Kobe economy.

Sumitomo Rubber, for instance, which has chosen to close its Kobe golf ball manufacturing plant, had been planning a move away from central Kobe even before the earthquake, due to new zoning restrictions which banned construction of new plants or expansion of old ones. "We just brought forward the plans," says Sumitomo.

Activity at Kobe port may suffer a net loss in activity, because of the damage but also because it was already suffering a decline in competitiveness as a hub for other Asian destinations. Higher costs and stringent regulations are blamed.

Although Kobe has restored nearly half the berths at the port and more than 80 per cent of the business has returned, the remainder may be lost to ports in Asia. "Trade which has moved to ports like Pusan and Singapore may never come back to Kobe," says the KCCI.

Macroeconomic benefits of the region's reconstruction remain murky. Immediately after the earthquake, the prospect of a "scrap and build" effect prompted excitement among the country's economists who saw a potential catalyst for a recovery in the country's overall economy, with estimates ranging anywhere between 0.5 and 2 percentage points added to annual gross domestic product.

Now, the effects of Kobe have been swallowed up in the chain of events which followed," says Ms Tomoko Fujii, economist at Salomon Brothers in Tokyo. Nerve gas attacks, the initially high yen and a looming banking crisis depressed business confidence while the yen's decline since the summer and the rebound in the stock market has helped restore it.

Housebuilders have benefited. Housing starts for November rose 0.1 per cent nationwide from the previous year.

While the Tokyo metropolitan area posted negative growth of 4.6 per cent, demand for housing in Kobe pushed up the data in the Kinki region, which includes the area damaged by the quake, by 25.2 per cent. "If it weren't for Kobe, growth in housing starts would have been negative," Ms Mineko Sasaki-Smith, economist at Morgan Stanley in Tokyo, says.

But such effects have been neutralised by a decline in consumption in the Kobe area, where retailers were hit not only by damage to their premises but by a migration of their customers to other regions.

Department store sales in Kobe plunged 35.2 per cent in November from a year earlier, whereas the figure for all of Japan edged up 0.3 per cent, the first rise in 45 months.

IN A SPIRIT OF SILENT ENDURANCE

A year after the disaster, most of those in Kobe made homeless have moved into rent-free prefabricated public housing or gone to live with relatives elsewhere, and the city has cut off official aid to public refugee areas, Emiko Terazono reports from Kobe.

But Mr Shinichi Sato, a 52-year-old dealer in antique art, has chosen to remain in the makeshift tent village in a park which initially served as an evacuation area prepared by US forces.

Unlike some of the 800 refugees who have stayed on in other tent dwellings in parks and public areas around the city to express their anger against the local government and its handling of the disaster, Mr Sato says his motive is solely practical. "I managed to dig some merchandise out of the rubble, as well as myself, but they won't fit in the public housing Kobe is offering us," he says.

He and his wife suffered severe chest pains from being buried under the rubble for more than two hours after the quake, but Mr Sato is philosophical about his fate and that of the city.

"I have no desire to criticise the authorities. It was a natural disaster, but by the way some people go on you would think it was the Kobe government which caused the earthquake," he says, sitting in his open-air living room beside an old stove.

Despite the devastation, many of Kobe's residents seem to share Mr Sato's view. Incidences of mental illnesses and suicide have occurred, but most residents are trying to piece their lives back together in a typical display of *gaman* (silent endurance).

Mr Sato says he is prepared to move out as soon as he finds a suitable place to set up shop and transfer his merchandise. But because many people have moved away from their old neighbourhoods, "it's not going to be easy for merchants like me.

"Even if we return to our old neighbourhoods and reopen our old businesses, our old clientele won't be there to support us."

China to restrict economic data

By Tony Walker in Beijing

China plans to crack down on the distribution of economic data, in a move condemned by foreign news agencies which warned yesterday of serious consequences for the free flow of information within the country.

An edict from the state council, or cabinet, yesterday invested the official Xinhua news agency with exclusive authority to oversee the distribution of economic information in China and said the step was being taken to "safeguard state sovereignty".

It said that "approved foreign economic information providers will be punished... if their information to Chinese users contains anything forbidden by Chinese laws and regulations, or slanders or jeopardises the national interests of China".

An official of Reuters, the London-based international news agency which distributes its material in China both through Xinhua and directly to business subscribers, said: "On the face of it this has extremely serious editorial implications for Reuters as well as for many other organisations active in China."

China has complained of what it perceives as "aggressive" reporting by foreign wire services, including Reuters, of problems in its fledgling commodities and stock markets. It has blamed western agencies for destabilising the markets. Others specialising in economic information that will be affected by the tougher official policy include Dow Jones-Telerate and Bloomberg, both of the US.

The state council circular coincides with a sterner approach by Beijing to the foreign press, including the expulsion last month of a German correspondent who had written unflatteringly of Chinese leaders.

Traders on China's markets voiced concern about the proposed crackdown because of fears that the free flow of business information would be interrupted. "If it means Xinhua will control all information about China's financial markets, it will kill those markets," one analyst said in Beijing.

In Hong Kong, politicians and the media expressed deep concern over the move. "I am afraid this latest move will only send the signal that Chinese leaders still do not understand how freedom of information underpins economic success," said Mr Martin Lee, leader of the colony's Democratic party.

Xinhua has held a theoretical monopoly over the distribution in China of foreign news since the Communists took power in 1949, but modern communications have eroded this control. The agency employs 7,600 people to run its news wire and its 40 newspapers and magazines.

Xinhua is under the authority of the central committee of the Communist party and is regarded, together with People's Daily, the party newspaper, as one of China's principal propaganda organs.

Australia boosts Malaysian ties

By Nikki Tait in Sydney and Agencies

Australia and Malaysia are to upgrade their trade relations, so that regular consultations are held at full ministerial level, Mr Paul Keating, Australia's prime minister, said yesterday.

"Our joint trade commission will be made a ministerial-level commission, which will mean ministers are directly engaged with the private sectors of both countries in identifying and pursuing opportunities for further co-operation," he declared in Kuala Lumpur.

Two-way trade between the two countries expanded 22 per cent last year, to about A$3.2bn (US$2.4bn), while direct investment has also been rising. Mr Rafidah Aziz, Malaysia's trade minister, will head an investment delegation to Australia in May.

News of the trade ties upgrade came during an official visit by Mr Keating, the first time an Australian premier has visited Malaysia for more than a decade; part of the Australian aim had been to shore up the often fractious relationship between the two countries.

Despite the growth in trade ties, Malaysia has been sensitive to perceived diplomatic slurs, as when Mr Keating described Malaysia's Premier Mahathir Mohamed as "recalcitrant". Overlogging in Papua New Guinea, much of it carried out by Malaysian interests and criticised by Australia which supplies aid funds to PNG, has been another contention.

But after talks yesterday, Dr Mahathir said the relationship was "as harmonious as it could be". Both described their discussions as useful. The visit "is important in that it overcomes minor misunderstandings and lack of appreciation of each other," Dr Mahathir said.

Mr Keating conceded he had not touched on Malaysia's proposed East Asian Economic Caucus, from which Australia and New Zealand would be excluded.

ASIA-PACIFIC NEWS DIGEST

Singapore and Manila make up

Singapore and the Philippines yesterday restored diplomatic relations, eight months after withdrawing their ambassadors in the wake of the execution of a Filipina maid for double murder in Singapore. The dispute, which led to cancellation of annual joint naval exercises between the two countries, prompted the resignation of senior Philippine cabinet members including Mr Roberto Romulo, foreign secretary.

Philippine officials said yesterday that they expected Manila to lift a ban on the sending of maids to Singapore shortly. Filipinos, who still believe the maid, Mrs Flor Contemplacion, was framed for the murders, accused the Philippine government of having done little to prevent the Singapore execution. *Edward Luce, Manila*

Canberra reforms to stand

Australia's opposition indicated yesterday it would take a softer line on some of the Labor government's proposed competition reforms, if it wins power at the next election. "Competition policy stands, in the broad," said Mr Tim Fischer, leader of the National party, the smaller of the two coalition opposition partners. "But it is clear there are certain discrete areas which will be the subject of a different policy approach."

Eight months ago, Australia's federal and state governments reached agreement on a package which cleared the way for the introduction of competition policy reforms. Businesses affected are likely to range from state-owned utilities and ports, to legal firms and medical practices, as restrictive practices are ironed out. There have been concerns in the farming community – a traditional source of National party support – that the reforms will mean the end of centralised marketing boards operating so-called "single desk" selling. Mr Fischer reaffirmed yesterday the coalition would retain single desk selling for wheat exports. *Nikki Tait, Sydney*

UK-China military timetable

Britain and China yesterday agreed on a timetable for the transfer of documents and information on Hong Kong's military sites, which pass to Beijing when the colony reverts to Chinese sovereignty in July 1997. Although the deal does not open the way for People's Liberation Army troops to march across the border ahead of the handover – a fear of some Hong Kong citizens – Britain did not rule out a small advance party to prepare for the Chinese garrison's arrival.

Under the original military land deal which was struck in 1994, Britain agreed to build China a new naval base in Hong Kong and to hand over 14 existing military sites to the PLA. In return, the Hong Kong government won valuable former military land sites. *Louise Lucas, Hong Kong*

Murayama voted party leader

Mr Tomiichi Murayama was yesterday easily re-elected as chairman of Japan's centre-left Social Democratic party, 11 days after resigning as prime minister. His win denotes support for Mr Murayama's plan to merge his troubled party with the smaller New Harbinger party. They are partners in the government coalition led by the conservative Liberal Democratic party. He yesterday promised "to make all-out efforts to create a new political force".

Mr Murayama's only opponent in yesterday's SDP election was Mr Tadatoshi Akiba, a member of the upper house of parliament. He opposed the merger plan and accused Mr Murayama of destroying the party's identity during his 18-month tenure as prime minister. *William Dawkins, Tokyo*

European Court of Justice is urged to annul proposed ceiling on hours that can be spent at work

Government opens attack on EU directive

By Robert Taylor, Employment Editor

The British government urged the European Court of Justice in Luxembourg yesterday to annul the proposed European Union directive that will restrict by law the working time of employees to a maximum of 48 hours a week including overtime. It will also allow workers at least four weeks' annual paid leave.

But the government appeared to make an important concession when Mr Michael Beloff, its advocate, said in court that working time "may have repercussions on health and safety for specific and identifiable groups of workers". Under article 118a of the Treaty of Rome laws can be drawn up at EU level without the need for unanimous support from member states if they concern the health and safety of workers "especially in the working environment".

Mr Beloff said the British government took "exception to the council's approach of presuming working hours generally affect health and safety of all workers". He argued that Brussels has no constitutional right to impose such laws on member states. The Council of Ministers passed the directive on working time in 1993 by a qualified majority in opposition to the British government on the grounds that it was a "health and safety" measure.

The UK insists that such a measure can be accepted only if it is unanimously agreed by all EU member states. "If the court reaches the view that the directive is not a health-and-safety measure but a social policy measure of a different character, it is invited to annul the directive in whole or in part," said Mr Beloff.

He added that the UK accepted that "in certain limited situations and in specific industries a sufficiently proven scientific connection exists between particular aspects of working hours and particular phenomena harmful to the health of certain workers and their ability to continue to work safely".

The British argument was rejected by the Council of Ministers in 1993, which argued that the directive was "part of the social dimension of the community, and that fact in no way affects its legality". The council added then that all provisions of the directive were "necessary and sufficient" to protect the health and safety of workers. The council also said that "attainment of the internal market required such measures be taken to ensure the social dimension was not forgotten".

The EU's advocate general is set to give his opinion on the UK's case in March, and this will be followed by a full European Court verdict in the summer.

The economy Figures for unsold goods at odds with efficiency claims by store chains

Stocks cast cloud over cheerful retail data

By Gillian Tett, Economics Correspondent

Mr Kenneth Clarke, chancellor of the exchequer, doubts the numbers. But some economists in the City of London are distinctly spooked by them. Either way, as the retail sales figures are published tomorrow, a mystery dogs one element of retailing – namely the data on retailers' stocks of unsold goods.

In recent months the ratio of retail stocks as a proportion of sales has been rising sharply, according to the Central Statistical Office. If the figures are correct, and some retailers question them, they cast a cloud over the recent cheerful news from the sector.

Although retail sales seem to have rebounded over Christmas, the upturn in spending will not boost gross domestic product if retailers simply run down existing stocks, rather than ordering fresh goods from manufacturers.

As Mr Ian Shepherdson, UK economist at HSBC markets, says: "The key question now is whether retailers actually feel confident enough to order more supplies on top of stocks they are holding." But the situation is made even more doubtful because the figures seem at odds with what many retailers are saying. Many are now streamlining their stock management systems, and they say that results in lower stocks.

Storehouse, which owns the BHS and Mothercare store chains, is typical of many retailers in introducing more efficient systems in the past year. Information about sales and demand has been computerised. Meanwhile the need to hold stock in warehouses is being cut out by using a small group of manufacturing suppliers who work to short-term specific production schedules. Storehouse says this has reduced the length of time that stock is held in its shops from 14 weeks at the end of 1994 to about 11 weeks now.

However, cynics point out that these retailers may still be an exception. The retail group House of Fraser, for example, is one company which is now known to have been carrying excess stock last year. Mr Richard Scott, finance director, says the group is now addressing the problem through aggressive discounting. Last year, he says, the group got rid of most of its £10m ($15.4m) surplus stock of summer clothes by heavy price cutting, and it hopes to get offload all but £2m of its £12m stocks of unsold winter clothes by next month.

But as Mr Patrick Moylan, director of the management consultants Kurt Salmon Associates, points out: "UK retailers are only just starting to address the issue of stocks. Some have done this already, but others still have a long way to go."

Whether mismanagement in a few companies can really account for all the stock increase last year is unclear. Some economists suspect that the official figures may be distorted by the sample size: small companies, for example, may be less efficient than large ones in managing stocks.

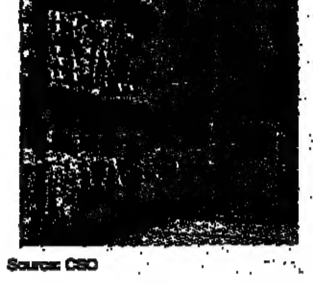
However, the CSO itself rejects charges that the data are distorted. The stocks figures are based on information from 100 companies rather than other GDP calculations, it says. It plans soon to widen its sample of retailers beyond large companies. This leaves some economists including Mr Shepherdson concluding that retailers "have just been over-optimistic about sales two years in a row."

Products left on the shelf

Change in stocks in subsectors of retailers
Constant prices, seasonally adjusted

+ Increase ++ Big increase – Decrease 0 Flat

	1992	1993	1994	1995 (so far)
Food	0	+	++	–
Clothing & footwear	+	0	+	++
Household goods	0	+	+	+
Other non-food	+	+	+	+
Mixed business	+	+	+	+



Source: CSO

Un petit détail foxes the ministry

By Alison Maitland in London

It seems that language barriers are still causing embarrassing slip-ups for some member states in the European Union. Britain's agriculture ministry has had to retract information it gave farmers on new set-aside rules because of a language blunder. It agreed to a text in French, only to find out later that the conditions it had approved were unacceptable.

Mr Douglas Hogg, agriculture minister, has written to Mr Franz Fischler, the European farm commissioner, asking for the new regulation to be amended to take account of British needs.

His junior minister, Mr Tony Baldry, regretted that farmers had been "misinformed."

The problem affects just over 1,000 farmers who have kept about 37,000 hectares of land uncultivated for the past five years under a Commission programme.

The aim of the five-year arrangement, which is now coming to an end, was to encourage birds and wild flowers to return to countryside that had previously been intensively farmed.

Britain had pressed the Commission to allow its farmers to put this land into another five-year programme of set-aside, earning guaranteed payments of £340 ($524) a hectare a year in exchange for managing it in an environmentally friendly way.

Ministry officials at a meeting of the Commission's cereals management committee in November thought this was what had been agreed. They failed to notice *un petit détail*.

When the new regulation was published in English in December, "it didn't say what we thought it had said," explained the ministry.

It turned out that farmers would qualify for payments only if they provided new public access to the land or planted it with poplar or willow trees for fuel in power generators.

UK officials were meanwhile putting a robustly Anglo-Saxon interpretation on the misunderstanding. "It raises questions about people being expected to agree texts in foreign languages," said one.

There will be few mourners for the corporation set up to redevelop the city of Bristol

Desolation persists near 'Little America'

By Roland Adburgham in Bristol

Two billboards frame the view: one states "Bristol's international gateway project"; the other "Bristol's new central business district". The view is of a desolate 10ha wasteland, used for parking cars.

The project, named Quay Point, was to be the high point in the life of Bristol Development Corporation which, after a short but rumbustious life, has just been wound up.

In spite of the failure to complete Quay Point, Mr Christopher Thomas, the corporation's chairman, said: "We have achieved virtually all that we set out to do." But a local councillor described the BDC as "nothing short of a disaster for the people of Bristol".

The BDC, established in 1989, was one of 12 English imposed by the government and given funding and planning powers to act as a catalyst in regeneration. All are scheduled to have disappeared by the end of 1998.

The achievement of the urban development corporations has continually been questioned, with disputes over the quality of regeneration, the community benefit and the high cost of job creation.

Bidding for funds is now based on the principle of public and private partnerships and, in the BDC's case, the absence of partnership was particularly damaging. From the start, it was at loggerheads with Labour-controlled Bristol City Council, which unsuccessfully petitioned parliament to prevent its creation.

At the outset, the BDC was given powers over 364 hectares, a collection of untidy industrial sites and derelict land. Its short life meant that neither the BDC nor the municipal authority was encouraged to find a *modus vivendi*. The BDC had government funding of £79m ($122m), which was modest compared with big spenders such as Merseyside in north-west England at £330m.

The BDC talked at first of bringing 18,000 jobs to the area and attracting £900m of private investment. Its latest estimates are that 4,600 jobs have been created at a cost per job of £17,000, with £235m of investment. But it claimed that permissions already in place could create a further 7,400 jobs and £305m of investment.

Mr Grant Watson, senior partner of Alder King, a Bristol-based property agent, said: "The corporation has stuck to its guns and achieved quite a lot in a short time, and one has to judge whether that would have happened without it. I suspect it wouldn't."

In the BDC's own eyes, its greatest success has been a 2km spine road to improve access. The dual-lane carriageway cost £49.8m and is being used by 22,000 vehicles a day. It also made possible the development of what the BDC, rather fancifully, nicknamed "Little America" – an unaesthetic but undoubtedly popular complex of a multiplex cinema, bowling alley, stores and fast-food restaurants.

The star catch of the BDC is the headquarters of NatWest Life, creating 1,000 jobs. Another success has been housing, with 670 houses built and a similar number planned.

But the BDC was unable to conclude a deal on Quay Point. The BDC had to scale back its plans and negotiations with a Midlands-based developer, Castlemore Securities, failed to be concluded before the BDC was wound up on December 31. The site and the negotiations have been transferred to English Partnerships, the government's new regeneration agency, which is also involved in the Harbourside project.

Bristol, 220km west of London, is the largest city in the west of England with a population of almost 400,000. But its history is more glorious than its present. Bristol existed as a borough more than 1,000 years ago. In the Middle Ages it was one of Britain's busiest ports, and for a long period it was the second-largest city in England.

In more recent years it has suffered from the decline in the aerospace and tobacco industries, and has fought back by persuading financial services and other groups to relocate to it.

Bristol has strong links with the US, origin of the largest number of non-UK companies which have established offshoots in the city.

The local enterprise companies which are the main operational arms of Scottish Enterprise, the development and training body, yesterday had their budgets for next financial year cut by an average of 4.9 per cent, James Buxton writes in Edinburgh. However, Sir Donald MacKay, the chairman of Scottish Enterprise, which covers Scotland outside the Highlands, insisted that key development programmes would not suffer. The organisation would make savings and prioritise its activities better. Last month Scottish Enterprise had its total budget cut by £30.2m to £441.5m, a reduction of 6.4 per cent, by Mr Michael Forsyth, the Scottish secretary.

US paper goods company bows to Brussels demand

By Emma Tucker in Strasbourg and Roderick Oram in London

Kimberly Clark yesterday agreed to sell its largest UK plant and and to temporarily divest some of its brands in order to win European Commission approval for its takeover of Scott Paper.

The merger of the two US groups will create the world's largest paper goods company with powerful brands such as Kleenex and Andrex. Their large UK and Irish market shares in toilet paper, facial tissues and kitchen roll triggered a five-month investigation by Brussels competition authorities.

The Commission said it would allow the merger because Kimberly Clark had agreed to sell plants in north-east England; to licence the Kleenex brand for use in the UK and Republic of Ireland on toilet paper and kitchen rolls; to sell the Scotties and Handy Andies brands for facial tissues; and not to use the Andrex trademark on those two products.

Competitors and consumer advocates were disappointed, however, that Kimberly Clark would retain the Kleenex name for facial tissues for which it is virtually a generic name.

"Splitting the brand will not promote enough competition in the market," said Mr Stephen Locke, policy director of the UK Consumers' Association. "Brussels hasn't really sorted out the problem." Kimberly Clark said it would licence another manufacturer to use the Kleenex name on toilet paper and kitchen rolls for 10 years. For a further five years, neither party would use the name but Kimberly Clark would regain control thereafter. Meanwhile, it would market Kleenex facial tissues. "There is a significant risk of confusion by consumers as to who makes what," Mr Locke said.

One competitor said: "The ideal solution would have been a clean and permanent separation of the Kleenex and Andrex brands."

Procter & Gamble, the US consumer goods company, said it was a "much better deal for UK consumers than Kimberly Clark originally proposed".

The factory complex to be sold, Kimberly Clark's most modern in the UK, produces 80,000 tonnes of tissue a year. Sale of the complex would cut Kimberly Clark's share of UK tissue paper production capacity by about 25 percentage points to below 40 per cent.

Prudhoe might attract bids from several large papermakers. P&G is one candidate because it has no UK sales of toilet paper and kitchen rolls, yet it has the leading brands in the US.

The Commission calculated that Kimberly Clark's divestiture would cut its share of the combined branded and own-label UK toilet paper market by about 14 percentage points from between 50 and 60 per cent.

UK NEWS DIGEST

Fears on future of BBC World Service ease

Fears that the BBC World Service might have to cut broadcasts in languages other than English eased last night after a government retreat on plans to cut its budget. In the face of sustained opposition in the House of Commons from the Labour party and from backbenchers in the governing Conservative party, Mr Malcolm Rifkind, foreign secretary, said he had found a formula which could reduce the impact of planned budget reductions.

Mr Sam Younger, the World Service's managing director, had warned that output would be affected by a £10m ($15.4m) cut in next year's operating budget and a 20 per cent drop in capital funding. "I think we are going to have to reduce programme services, and listeners will notice," he said yesterday. His warnings tempted Labour into staging a Commons debate on the World Service's future in the hope of embarrassing the government. However, Mr Rifkind moved to head off any potential revolt. The World Service has been set a target of saving £21.8m in capital funding by 1999 through the government's private finance initiative to lure private investors to public projects.

The foreign secretary told MPs he hoped that the service would save £30m through the PFI and that he and the Treasury would "look sympathetically at allowing" the surplus to be spent on programming. However, senior BBC executives remained sceptical because most of the £30m arises from a PFI project to build and lease-back a relay station in Masirah, Oman, and they doubt whether private money for the project will be forthcoming. *Robert Shrimsley, Westminster.*

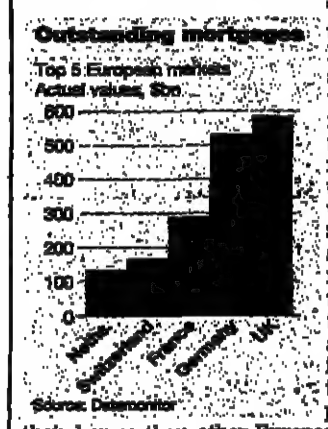
Investment urged by City

The Corporation of London, the municipal authority for the City, attacked the government's failure to invest in the capital's transport infrastructure, arguing that declining commuter networks risked undermining the City's position as a financial centre. In a fresh attempt to encourage investment, the corporation said that over the past 30 years politicians had concentrated on the development of business centres and urban communities in rural areas.

The corporation also claimed there was clear evidence that individual enterprises gained significantly if they were situated in big cities and that a "clustering" of activity could have benefits for the nation. The authority published a wide-ranging survey of the London economy – by the London School of Economics and sponsored by London Transport – to back its case. It showed there was strong evidence that the concentration of enterprise in the capital created a noticeable "London effect", with individual companies performing significantly better than they would if they were in rural areas. The report argued that "the UK risks losing its current lead in key international business if investment is not focused on the capital".

James Blitz, Westminster **Editorial Comment, Page 11**

Nation of mortgage holders



Source: Datamonitor

The UK mortgage market is the largest in Europe, with British banks and building societies dominating their continental rivals in size. According to Datamonitor management consultants, the UK retail market in 1994 was valued at $588.6bn, compared with $534.4bn in Germany and $290.6bn in France. In its study of the top 16 European mortgage markets, Datamonitor says the UK's size is partly the result of high house prices and partly of a generous lending policy. House buyers in the UK tend to borrow a larger proportion of the value of their homes than other Europeans. British institutions represent 16 of the top 40 lenders across the Continent. The survey ranks Halifax Building Society and Abbey National bank as the top two European lenders in terms of the value of their outstanding loans to domestic customers. They are followed by Crédit Agricole and Crédit Foncier of France.

Richard Wolffe, Personal Finance Staff

Secrecy over road contractors

The government's Highways Agency has agreed to keep secret the names of some contractors working on the controversial Newbury bypass amid mounting concern about potential threats from protesters. The bypass will take traffic on the A34 road round the historic town of Newbury 80km west of London. The A34 is the main road from the southern England port of Southampton to the Midlands. Two companies involved in site clearance and wild life relocation at Newbury have asked for their names to be withheld from the public to prevent possible damage to their businesses and to protect the safety of their workers. The Highways Agency, a body responsible for spending public money, would normally be expected to publish details of contract awards. More than 40 arrests were made on the bypass site yesterday. *FT Reporters*

Italian army buys Land Rovers

Land Rover, part of BMW's Rover subsidiary, has won a contract to supply 370 Defender all-terrain vehicles to the Italian army worth an estimated L12bn. Rover said the deal was the first vehicle order for a British company from the Italian army. It said the first vehicles would be supplied later this year and that deliveries would continue throughout 1997.

Haig Simonian, Motor Industry Correspondent

Car protest: Demonstrators will protest outside Coventry Cathedral in the English Midlands today against a service being held to mark the centenary of the foundation near the city of the British car industry. The protest will be led by RoadPeace, the charity for road traffic victims. Protestant authorities had barred a wreath-laying ceremony at the cathedral "to remember victims of the motor car".

LEGAL NOTICES

INSOLVENCY ACT 1986
J H & W E BETT LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986 that a Meeting of the unsecured Creditors of the above named Company will be held at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET on 9 February 1996 at 10.00am for the purposes mentioned in Sections 48 and 49 of the said Act.

Secured creditors are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote at the meeting if:-

a) they have given to the Joint Administrative Receivers, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of the debt that they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with the Joint Administrative Receivers any proxy which the creditor intends to be used on their behalf.

Dated 17 January 1996

D J STONES and M J MOORE Joint Administrative Receivers

NOTE: Creditors of the above named company requiring copies of the Joint Administrative Receivers' report may obtain it free of charge, on written application to the Joint Administrative Receivers at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

Sickness delays verdicts on Maxwell sons

By John Mason, Law Courts Correspondent

The Maxwell trial jury has finally gone the way of many families and businesses this winter and has fallen victim to sickness.

The jury, which has been out for nine days, was given yesterday off after one of its members fell ill. This was hardly a great surprise. On Monday a doctor had to be called to examine six of the jury apparently suffering from chest infections.

Members are confined to a jury-room from 9h30 to 17h00 each day and are fed only sandwiches for lunch. All the while they are deliberating on one of the most publicised court cases in recent years. It scarcely equates to any recommended healthy lifestyle. On Monday, the trial judge, Lord Justice Phillips, prescribed the jury plenty of fresh air to be taken during escorted strolls around nearby Lincoln's Inn Fields along with the provision of humidifiers in the jury room. However, he was too late to prevent one juror spending yesterday in bed dosed up on antibiotics.

The illness has been the only blip in the wait for the jury to return their verdicts. Overall, the end-game of the Maxwell trial has conformed to the pattern of that in other long fraud trials. With juries frequently out for several days, these are tense affairs which grind down the nerves with each successive day.

Unsurprisingly, this seems worst for defendants. Facing jail sentences of up to 10 years per charge, confronted by press photographers each morning, the Maxwell defendants are not, it appears, having much fun. Mr Kevin Maxwell and his brother Ian spend their time holed up in an office 50m from the courtroom, generally appearing only at the end of the day when the jury has been sent away.

The judge remains in his room, generally appearing only at the end of the day to send the jury back to their hotel for the night. The lawyers, still earning their fees, spend their time either in rooms in court or back in their offices waiting for the call to hurry back. The courtroom therefore largely appears an abandoned place. Chairs are empty, files of documentary evidence now look redundant, their purpose served.

Not abandoned however by the media who sit it out, trading gossip amid a sea of old takeaway coffee cups and newspapers. Mobile phone calls are made and taken accompanied by that inexplicable but common ritual of walking around in ever-tightening circles or figures-of-eight.

Speculation about what the jury are doing is a popular but fruitless activity. Its futility is underlined by calls from newspaper desk editors inquiring how close the jury are to verdicts. Faced with such questions, reporters bound by the restrictions of English law give the only possible reply: "I haven't the foggiest idea."

Mr Kevin Maxwell and Mr Ian Maxwell are sons of Robert Maxwell, the publishing tycoon and one-time Labour MP who died in 1991. Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, are charged with conspiring to defraud the Maxwell pension funds by using shares in Teva, an Israeli pharmaceutical company, which were owned by the funds to raise money for Maxwell private companies.

Mr Kevin Maxwell faces another charge involving the use of shares in Scitex, another Israeli company.

All have denied the charges.

Agent Bank

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When you say 'shareholder value', do you sound convincing?

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The two questions are closely linked. The concept of shareholder value straddles two different markets: the product market in which a company's goods and services trade; and the stock market, in which its equity changes hands.

The snag is that a company can do well in its product market but still fail to realise its potential shareholder value.

There's no substitute for good product-market performance, of course; and any multi-line business also has to allocate capital properly between its subsidiaries.

But that may not be enough. If the share price is to reflect that success, investors must believe in the company's current management and future prospects. And if they don't, you can kiss shareholder value goodbye.

How do you get investors to believe in you and your future? Talking to them helps. So does a convincing annual report. But endless investor meetings and a raft of glossy photographs will only get you so far. Both these lines of approach, after all, work best with current shareholders or likely prospects.

And they focus on specifics – strategy, performance, current outlook. More general, "softer" issues, such as brand management, corporate culture and the climate of the operating environment are hard to communicate by these means.

So how do you deliver this more rounded message, to people who don't yet know they want to buy your shares? Investors who've vowed to steer clear of your industry, for example, after a nasty setback ten years ago. People who don't realise how the business has changed – and aren't likely to unless you tell them. Potential investors who don't understand just how rapidly your market is growing.

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Still, here's an unbiased conclusion. Taking a fresh look at corporate advertising isn't the only way of unlocking potential shareholder value. But it helps.

This series of FT advertisements is intended as a contribution to the debate on top-level management priorities as we approach the 21st century.

If you have any comments on the questions this series raises, or you'd like to talk about the issues of communicating the corporate message, either write to John Makinson, Managing Director, Financial Times, at 1 Southwark Bridge, London SE1 9HL or call him on +44 171-873 3233. Fax: +44 171-873 3937. E-mail: John.Makinson@FT.com.

Financial Times.
World Business Newspaper.

This is the third of a series. Tomorrow: differentiation.

The EV1 is limited in distance but has made progress in design, materials and processes, says **Richard Waters**

GM jellybean has far to go

General Motors' first commercial electric car is not about to usher in a new era of mass transportation. After $350m (£230m) spent on development and five years of effort, the new vehicle, the EV1, will hit dealer forecourts in four cities in California and Arizona in the autumn. And like other electric cars it will be expensive, inconvenient to recharge and incapable of travelling anything but relatively short distances.

The EV1's contribution to automotive technology, however, is of a different kind. While it suffers the handicap of all electric cars – the lack of an effective power source – the vehicle boasts victories over weight and wind resistance on a number of fronts: in design, use of materials and processes.

Also, through its pricing and marketing strategy, General Motors is testing for the first time just how difficult it will be to transplant electric vehicles from the laboratory to the street.

The vehicle has been put in the hands of its Saturn division, which made a success of creating and selling a range of small cars in the US to rival the Japanese. Donald Hudler, president of the division, observes: "As with most new technologies, a market needs to be developed and nurtured."

The timing of the EV1's launch this month seems paradoxical. It is only two months since Californian regulators backed away from a requirement for the biggest car companies in the state to sell a prescribed proportion of zero-emission vehicles – in effect, those powered by electricity – by 1998.

While the immediate regulatory threat has been lifted, the California Air Resources Board says it will not let up on a timetable for more zero-emission vehicles to be in use early next century.

GM's efforts also represent a long-term ambition to regain technological leadership in the worldwide automotive industry, according to Jack Smith, the company's chairman. A zero-emission car could be important in the coming battle for market share in Asia's crowded and increasingly polluted cities.

In an attempt to reduce its weight – and thereby extend the vehicle's range – GM has given the EV1 a plastic body over an aluminium frame. Every component has been subjected to a relentless search for ways to reduce mass: the seats, for instance, are 60 per cent lighter, thanks to the use of cast magnesium in the cushion frame and aluminium in the seat back.

To reduce wind resistance, the vehicle has the increasingly familiar jellybean look – making its "drag coefficient" the lowest of any vehicle in commercial production, says GM.

Some of the EV1's biggest advances are in the area of its electronic controls, says Frank Schweimbold, one of the executives in charge of its development. He singles out the controls that manage the flow of electric power in and out of the battery, which have helped extend the vehicle's range.

Another example is the electric motor which drives the pump for the steering column's hydraulic system: by starting up only when needed, the motor uses only one fifth the power it would normally take to run the hydraulics.

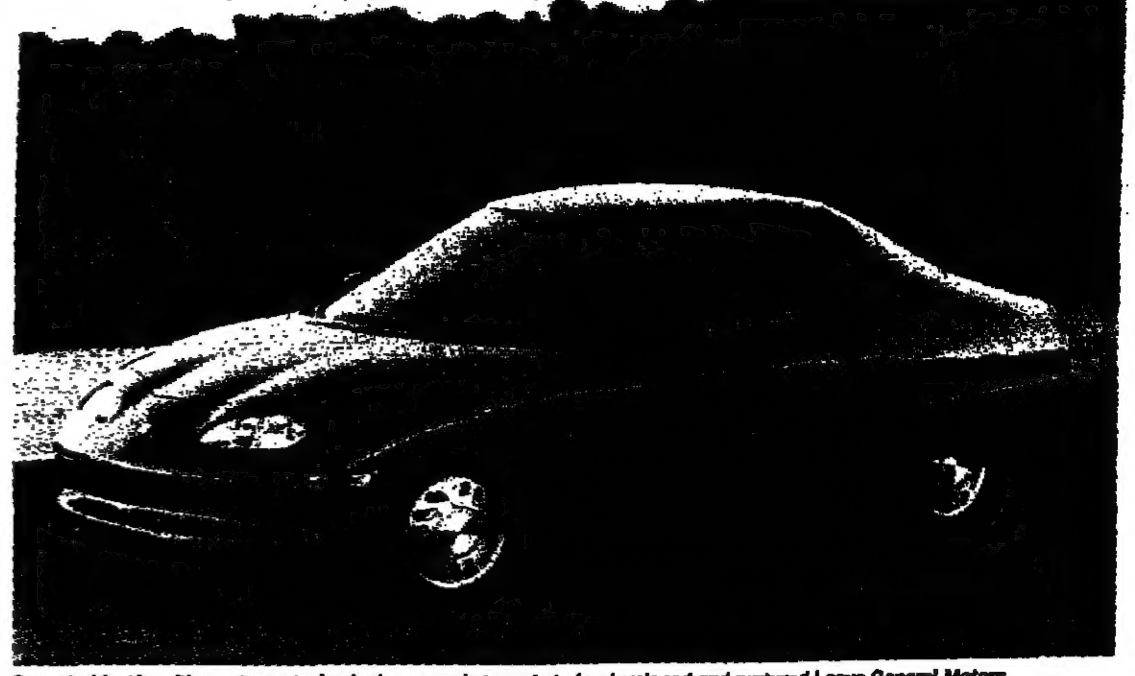
The EV1 is also designed to recycle power. A regenerative braking system turns the vehicle's drive motor into a generator when the brakes are applied, creating extra power to top up the batteries. Together with electronic controls that distribute the vehicle's braking power more effectively, this extends the car's range by a fifth, GM says.

None of these advances is enough to overcome the limitations inherent in the EV1's lead acid batteries. Weighing 1,175lb, these 26 12V batteries will carry the car only 90 miles on an open road in perfect conditions, falling to 70 miles in city traffic.

Through a joint venture with a company run by Robert Stempel, its own former chairman, GM hopes to make the breakthrough that will give it a more advanced, nickel-metal hydride battery soon: by the end of the century, the company hopes, this could double the EV1's driving range.

An American wanting to take the plunge into all-electric driving will be able to do so for somewhere between $30,000 and $40,000, GM says – a price which goes nowhere near recovering its development costs.

For that, they will get a car that Smith says is "quiet, peppy and fun to drive". For now, though, the marketing experts at Saturn have their work cut out. The EV1 may well get you from A to B – but it probably won't get as far as C.



Smooth ride: 'As with most new technologies, a market needs to be developed and nurtured,' says General Motors

Big problems from tiny particulates

Jane Martinson on the impending release of a government strategy document on air quality

Death by dust is an alarming concept, but one with a grain of truth big enough to cause national governments, medical experts and industry to commit time and money to researching it.

The detrimental effect on health caused by small particulates or PM10s, tiny particles of dust less than 10 microns in diameter and largely caused by diesel exhausts, power stations and other industrial processes, was the subject of two reports commissioned by the British government last November.

The research, by the Committee on the Medical Effects of Air Pollutants and the Expert Panel on Air Quality Standards, is expected to form the basis of a strategy document on air quality due to be published by the British government later this month.

The reports are also likely to be discussed by a European Commission working group set up to recommend standards on particulates and co-chaired by the UK. Based on the work of this group the Commission is due to put forward a directive on particulates by the end of this year.

The reports found evidence that PM10s caused early deaths among those already suffering from lung and heart disease or exacerbated their symptoms. They cited other research which suggested that between 2,000 and 10,000 extra deaths a year could occur in the UK because of such pollution.

In its preliminary response to the reports, the government concluded that particulates were "the pollutant which may have the potential for the most significant impacts on health". The departments of health, environment and transport adopted the recommended standard of 50 micrograms per cubic metre as a 24-hour average for PM10s. This standard is currently exceeded for about 10 per cent of the year in most UK cities.

The strategy document is likely to set this standard, along with others, as a target for local authorities to monitor and conform to once the document becomes law.

The UK limit met some opposition. Opponents, such as environmental groups and the Labour party, cited recent research by the World Health Organisation which found that if PM10 levels exceeded the new target for three days running there would be four extra deaths in a city of 1m.

Whatever the argument over the limits, the real debate is likely to be the best way to implement them. Tim Brown of the National Society for Clean Air believes the government has "put itself into a bit of a corner" because the standards are going to be quite hard to meet given existing transport and industrial policies. The difficult questions over the cost effectiveness of each pollution measure are still to be agreed, he argues.

Diesel exhaust is the UK's biggest single source of PM10s and the strategy is likely to be to push for early action on vehicle emissions.

Local authorities have already started to campaign for help to meet the standard and are testing a range of measures to enable them to meet future standards. A week after the particulates research was published, Reading Buses, the transport company owned by the local council in the city west of London, published its own findings from a trial of cleaner diesel.

The company found that by using City Diesel, a fuel which has a 0.001 per cent sulphur content, for five weeks earlier last year levels of PM10s fell by 43 per cent. If the results of the Reading test were to be replicated nationally almost 10 per cent of the UK's particulates emissions would be cut.

However, with the price of City Diesel about 3.5p per litre more than normal diesel the cost of running Reading's 170 buses on the diesel would be an extra £160,000 a year, according to Councillor Tony Page, Reading Buses chairman.

The UK's Petroleum Industry Association, which represents large oil companies, does not believe that City Diesel is cost effective. It estimates that the cost of modifying UK refineries to supply 25 per cent of the diesel market with City Diesel would be about £1bn. These modifications would take up to five years to complete, it adds.

The association says the industry is already investing about £300m to reduce the sulphur content of diesel from 0.2 per cent to 0.05 per cent by October 1996, to comply with new European regulations. This will cut emissions by more than 10 per cent, it claims.

It also believes that better engine technology combined with lower-sulphur diesel will cut exhaust particulate emissions from a new Heavy Goods Vehicle next year by about 80 per cent compared with a five-year-old vehicle.

The Commission working group is unlikely to commit itself to specific measures to curb particulates. But as the health effects of particulates become better understood political pressures for emission reductions are expected to grow. The current research into the effect of air pollution have spurred tentative steps on the road to cost effectiveness. They could be the start of a long and arduous journey.

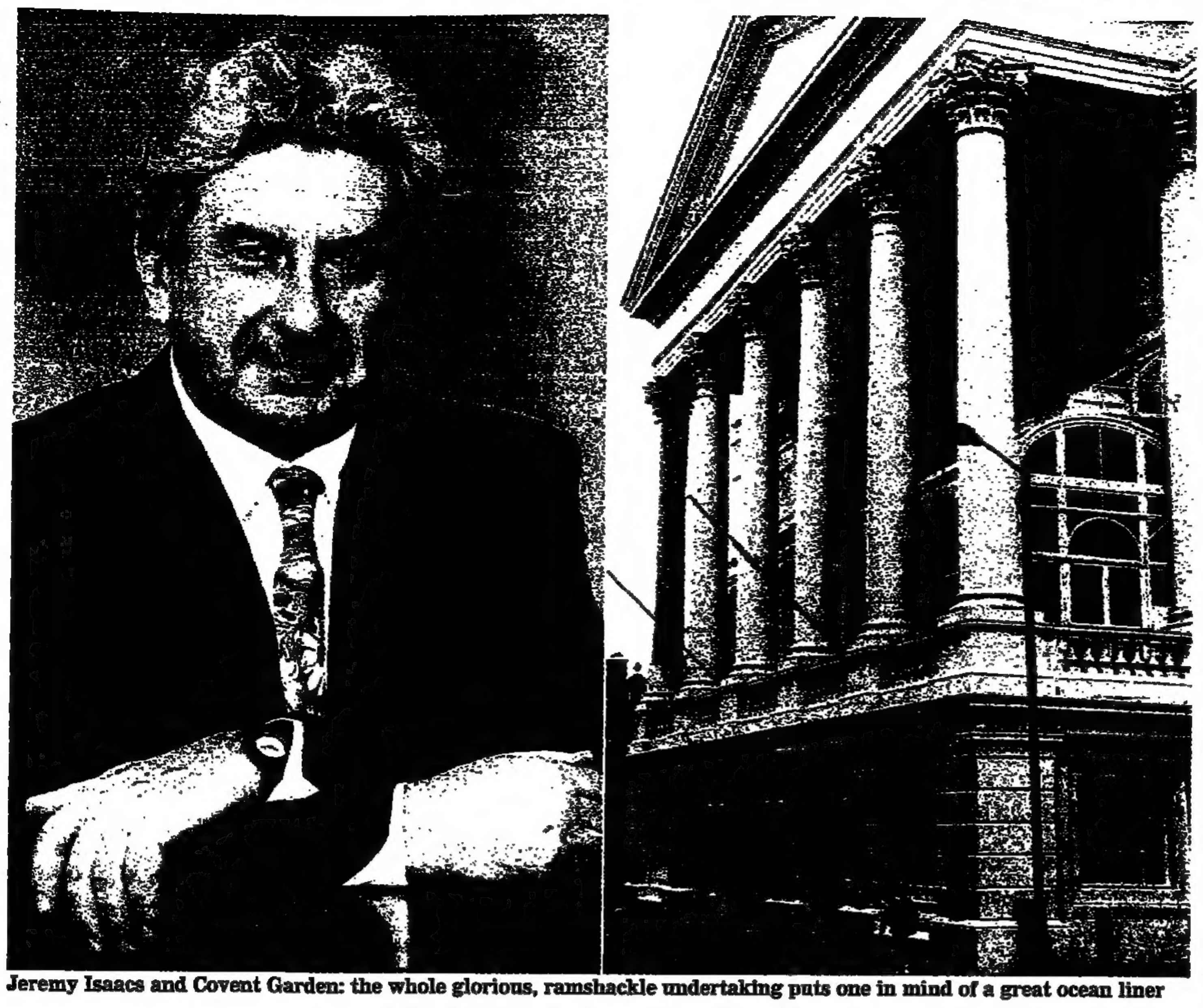
ARTS

Like Geoffrey Boycott tediously accumulating runs, ITV normally manages to win the ratings war these days, mainly with a succession of unoriginal and uninspiring drama series. But who brought us *Pride And Prejudice*? The BBC. Who got the Princess Diana interview? The BBC. And last night who began the wickedly revealing documentary series *The House* about the Royal Opera House? The BBC. The corporation always has its troubles (we are now being warned that the new chairman, Sir Christopher Bland, is "too close" to director-general John Birt, who worked with him at London Weekend Television). But when it comes to programmes that are original, exciting, and – even if conventional – outstandingly good, as with *The House*, seven or eight times out of ten nowadays it is the BBC that is making them. The other two or three are made by Channel 4.

The House is a series to restore your faith in television. It consists of six fascinating one-hour programmes which first of all illustrate what is done at Covent Garden: the production of operas and ballets, the work of the orchestra and dance school, and of all the specialised departments from costumes to scenery. Then they portray the characters involved, and while anybody might have foreseen the interest created by dancers such as Darcey Bussell, who falls about terrifyingly in a dress rehearsal, conductors such as Haitink, who groans at the idea of aeroplanes in *The Ring*, and known personalities such as general director Jeremy Isaacs, few would have expected to find themselves riveted by an account of the working lives of the waiters behind the crush bar, Peter and Bill, who have been serving together for 30 years without speaking. Familiarity long ago bred contempt, one of them calmly explains in programme 4.

The whole glorious, ramshackle undertaking puts you in mind of a great ocean liner: a self-contained world in which the grandeur and tradition seen by outsiders is sustained by armies of people out of sight, many working in awful conditions, some passionately dedicated and loyal, some concerned chiefly with earning a living. Even the physical conditions remind you of a big ship, with the contrast between glittering state rooms and the warren of passageways and cubby holes used by the staff. Nobody in *The House* ever mentions this, but the viewer is perpetually aware of the camera following people through what feels like a maze built for white rats.

What grips and holds you, however, is neither the physical structure nor the people, but the real-life drama involved in mounting 270 performances a year. It will be said, until we are sick to death of hearing it, that this series is high quality soap opera. If that means that *The House* is characterised by the sort of personal feuding upon which soaps rely, and that it is in the very nature of the business that at any time there are always several small crises and at least one major crisis occurring, then this seems to be undeniable. Running an opera



Jeremy Isaacs and Covent Garden: the whole glorious, ramshackle undertaking puts one in mind of a great ocean liner

Television/**Christopher Dunkley**

Heroics in the House

house clearly is not like running, say, a gas-fire factory.

However interested we may be in the difficulty of making gas-fires without the necessary parts, most of us will never feel the same sense of excitement and panic as we do when we see the people in *The House* forced to find a new Carmen at the last moment when the star loses her voice. Isaacs has complained (surprisingly naively, given his background in television) that these programmes concentrate on the exceptional and tend to ignore the norm. It is the old cry of the "good news" brigade. Does he really expect to see reports of successful landings at Heathrow to balance headlines over an air crash?

Isaacs himself comes out of this series extremely well: a passionate advocate of high quality art, willing to go into the lists against anyone standing between him and a better money supply. The phalanx of the great and the good who serve on the boards and squeeze money out of private backers are also shown in an almost wholly flattering light. The occasional old-fashioned socialist viewer may raise an eyebrow at finding Bamber Gascoigne hosting a little private party in the royal retiring room (keeping sponsors happy, no doubt) or Tessa Blackstone swanning around at the Washington opening of *Sleeping Beauty* (vital PR, no doubt). But most viewers will get an impression of noblesse oblige, of huge efforts to cut costs, and of hard work.

Indeed, if there is a serious criticism of the way Michael Waldman and Andrew Bethell have made these programmes it is that being in the house for 12 months with their cameras has turned them native. It is hardly surprising. When you are sticking lenses up the noses of people who are verging on physical or nervous breakdown because the show must go on, you are likely to end up sympathising. It is arguably a dereliction of duty but no great surprise to discover that nowhere in the entire six hours does anybody ask whether it is really fair for nurses and trawlermen to pay taxes to subsidise seats for fat cats at the opera. (Yes, of course it is open to all – like the Ritz.)

The other side of the coin is seen just twice. A cab driver (surely a plant) grills Isaacs on seat prices and star fees, and Isaacs responds through gritted teeth. Then the camera finds a dear old cockney widower who says he sits in the slips every night for a mere £2 or so. But although the series does provide some eye-opening evidence of the sort of "old Spanish practices" which most of us thought had disappeared with the Fleet Street print unions, this series is really not greatly concerned with the ethical agonies of subsidised art.

Like the old Hollywood musicals about Broadway, it is in thrall to the glamour and high emotion of life in "the house". And why not? These programmes show that it *is* drop dead romantic to work in a place where the end product – the Dance of the Knights or The Chorus of Hebrew Slaves – can be heard echoing up the staircase of a winter's afternoon. It is *not* like working in a bank or a shipping office. There *is* something heroic about the stage crew (however oddly rostered and paid) working through the night to strike one set, ready for the day crew to install another for a different performance that night. There *is* something glorious and noble about keeping that splendid curtain going up every night in this beautiful old house in the centre of London.

This series proves it, and in the process provides splendid entertainment.

Theatre

Ayckbourn & Co's farewell production

The Ayckbourn industry never lets up. This week, the Salisbury Playhouse revives the playwright's celebrated 1973 trilogy *The Norman Conquests*: on January 30, a touring production of his 1974 *Confusions* starts in Brighton; and, in March, Sheffield's Crucible Theatre stages his 1981 *Way Upstream*. Nor is this a particularly high quota of Ayckbourn productions round England during any three-month period.

All these works and more started life in Scarborough, where Ayckbourn wrote his first play (aged 20, under the pen-name Roland Allen) in 1959. Until 1976, he wrote for its Library Theatre; the Stephen Joseph Theatre-in-the-Round in the Westwood School Building has been his home for the last 20 years. Now he is preparing to move to a new theatre, two blocks away. Though this was announced in 1993 with the move planned for 1995, the builders are not expected to quit work in the new theatre – a former Odeon cinema – until at least March.

We will report on the new theatre in due course. Now, however, is the moment to revisit the present one. A family group of seasoned Scarborough players has just revived Ayckbourn's 1976 *Just Between Ourselves* there. The director, Robin Herford, joined the company there as an actor in that very year, 1976, as did his wife Lesley Meade, who plays Vera; the role of Neil is taken again by its original actor, Malcolm Hebden, who first joined the company in 1975. Everyone is good, and it is worth visiting Scarborough just to study every detail of Hebden's playing in particular.

The character he creates – Neil, the pathetic neighbour who becomes, to his own ruin, a kind of succubus to Dennis, his new friend and host – is so ordinary and so drab that you are surprised to see him onstage at all; and Hebden inhabits this character so fully that perfectly ordinary moments reveal qualities that we find hilarious. The solemn but tentative way in which he walks around the car he is inspecting as a possible purchase for his wife Pam – he cannot drive himself – and the lugubrious tones in which he tries not to drink a cup of sugared tea: these prepare us early on for the larger comic strokes he makes later on. "Sometimes…" he confides uneasily but needily about Pam to Dennis in the second scene, "Sometimes she gets very amorous." And he adds, with further embarrassment, "At *night* times."

Lesley Meade makes Vera a classic study in lower-middle-class wifely domesticity, and Marlene Sidaway makes her destructive mother-in-law Marjorie almost mild and innocent and reasonable. Nothing Jon Strickland and Elizabeth Rider do, as the heartless Dennis and the humourless Pam, detracts from the organism of the play. (These may well be, however, the hardest roles in this play. At any rate, this is the second production of *Just Between Ourselves* in which I have found Dennis somewhat over-emphatic and Pam not quite robust or detailed enough.)

It is always a shock to return to the Stephen Joseph Theatre-in-the-Round, especially if you have seen a West End production of one of Ayckbourn's plays since your last visit. It is so much smaller than you had remembered. The auditorium has just 300 seats, about six rows deep on all four sides of the stage, which the audience has to cross to reach its seats. I saw both the 1994 Scarborough world premiere of *Communicating Doors* and its West End premiere last summer; but to revisit the stage that gave it birth is to be astonished at how much Ayckbourn squeezed onto it, and how well. The programme for this *Just Between Ourselves* revival contains a charming 20-year-diary by Ayckbourn himself in which he recalls many of the theatre's other achievements. He has more than earned his new theatre; may it reward him as well as has his old one.

Alastair Macaulay

Just Between Ourselves continues at the Stephen Joseph Theatre-in-the-Round, Scarborough, until February 3.

Betjeman to music

When David Benedictus' tribute to Sir John Betjeman was first staged in 1976, it's subject apparently commented, "Do you know, I didn't think I was that good!" After seeing this revival of *Betjemania*, I'm afraid I still do not.

Betjeman's dyed-in-the-wool Englishness is of that sort routinely fawned over by certain American tourists as "quaint", and of course he traded on this quaintness relentlessly. Taken in large doses, however, his gentle irony and self-parody too readily subside into a double bluff, as the affection in his observations of a particular class and period outweighs the always polite criticism. In truth, he was not so much the poet laureate of the UK, but of the home counties. He would seem at first to be an ideal source for light musical entertainment, but the cumulative effect of this production is rather like eating an entire Battenburg cake in one go.

Richard Syms' direction is appropriately gentle, only cutting loose (with the assistance of choreographer Elizabeth Blake) on a handful of the musical numbers, most notably *The Varsity Students Rag*. Composer and pianist John Gould's music is thoughtful and fitting throughout, never more raucous in the aforementioned rag or an odd burst of genteel early jazz.

Of the four performers, Nicholas Caunter supplies a stocky gravitas and Caroline Fitzgerald an air of wistfulness even to the mildly ridiculous gymkhana fervour of *Hunter Trials*. Mary Lincoln turns her hand ably to a variety of moods, but the slight tang of deliberation in her performance is as nothing beside the frankly irksome Simon Butteriss who, even when aiming to be listening unobtrusively, too often displays the grinning rictus of a ballroom dancer. Butteriss' persistent camp undermines the show at several points: Syms' greatest error is to apportion to him both the "greatest hit" of this collection, *Slough*, and the lion's share of its most serious poem, *The Arrest of Oscar Wilde*.

Betjemania has no great substance, but no pretensions to it. It rings a moderately novel change on the vogue for compilation musicals, and is at least infinitely more tasteful than the crass television commercial which has pressed Betjeman into posthumous service, with his candid regret, "I haven't had enough sex". Come to think of it, neither had we: Miss Joan Hunter Dunn was conspicuous by her absence.

Ian Shuttleworth

At the King's Head, London N1, until February 18 (0171-226-1916).

Concerts/**David Murray**

Beethoven's 'Grosse Fugue'

Presumably by chance, the London Philharmonic – parts of it, anyhow – found themselves playing Beethoven's *Grosse Fuge* twice on Thursday, conducted by Elgar Howarth in the Queen Elizabeth Hall: once in Michael Gielen's transcription for multiple strings, and again in a new Edwin Roxburgh transcription for large wind band.

An unlucky chance: for at the Wigmore the night before, Peter Cropper had led the Lindsay Quartet in the original music, fulfilling its original purpose as the finale of the great B-flat Quartet Op. 130.

Where the Lindsay performance seethed with heaven-storming intentions, the LPO strings were ludicrously, bathetically bland in the Gielen transcription – and Roxburgh inflated their winds both wood and brass, to the scale and sound of an overweening village band. I think this transcription must be unrescuable. The Gielen string-version may be hardly more inspired, but it would be wrong to judge it on this performance: it had surely had no more than one brief rehearsal, and might well have been a first read-through.

Lack of rehearsal-time (read "money") was the reason privately given for dropping George Crumb's *Echoes of Time and the River* from its advertised programme, which should have been the substantial novelty. We still got Birtwistle's recent Prom hit *Panic*. It made an uncomfortable amount of noise in this hall, whereas the Royal Albert accommodated it easily; but the marks of confident structure were plain to hear amid the general reckless exuberance, and the particular lazy eloquence of John Harle's solo sax.

Edgard Varèse's seminal *Ionisation* (1931, for 13 percussionists) sounded loose-strung, its abrasive sounds either idly repetitive or just sudden and arbitrary. I have heard more incisively cogent accounts of it, from conductors with more instinctive, wayward flair than the judicious Howarth could muster.

Something like that was what lit up the whole of the Lindsay's Op. 130, as it does all their best playing. They also delivered the C minor quartet from Op. 18, stern and gripping, and the Op. 74 "Harp" quartet in unexpectedly subtle, seductive half-tints; but it was the six-movement B-flat work that became a vital experience.

After a strongly argued Allegro and a tough, deadpan little Presto, with the "Danza tedesca" delicately wrenched to excruciating extremes and a Cavatina of naked feeling, they undertook the *Grosse Fuge* like intrepid mountaineers.

All transcriptions of it miss the point. It is *not* a grand "abstract" fugue, contingently and inadequately rendered for four strings; the Lindsay made an unanswerable case for hearing it as a work designed to stretch a quartet – *just* a quartet, no more – to desperation-point, knowingly aware that they will be driven to make unlovely sounds. With Cropper's scrupulous, furious leadership, it built toward visionary heights, and more or less reached them.

It is rare these days to hear Beethoven realised with such raw, close-to-the-bone commitment, and to such luminous effect.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Orchestra and Choir of the Hooldstad Operette: with conductor Walter Althammer. Gala performance on the occasion of the 50th anniversary of the Hooldstad Operette. The programme includes arias and duets by J. Strauss, Léhar, Kalman, Offenbach, Gilbert & Sullivan, and others; 2.15pm; Jan 21
● Rotterdams Philharmonisch Orkest: with conductor Claus Peter Flor perform the overture to Mendelssohn's "A Midsummernight's Dream" and Brahms' "Symphony No.4"; 11am; Jan 21

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6310
● Arshile Gorky and the Genesis of Abstraction: Drawings from the early 1930s: exhibition of 39 drawings by the Armenian-born artist Arshile Gorky (1904 - 1948), one of the pioneers of Abstract Expressionism; to Jan 21

■ BERLIN

OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Don Giovanni: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7pm; Jan 19

■ CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● The Makropulos Affair: by Janácek. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Catherine Malfitano, Kim Begley, Tom Fox, John Duykers, Kevin Anderson and Stephen West; 7.30pm; Jan 19

■ DETROIT

JAZZ & BLUES
Detroit Orchestra Hall
Tel: 1-313-833-3362
● Joe Henderson: performance by the tenor saxophonist. Featuring the Wynton Kelly Trio, with Wynton Kelly on piano, Paul Chambers on bass and Jimmy Cobbs on drums; 8pm; Jan 19

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Belshazzar: by Handel. Conducted by Jörg-Peter Weigle and performed by the Sächsische Staatsoper Dresden. Soloists include Claudia Kunz, Iris Vermillion, Jochen Kowalski and Günter Neumann; 7pm; Jan 18

■ FLORENCE

CONCERT
Teatro Comunale
Tel: 39-55-211158
● Orchestra del Maggio Musicale Fiorentino: with conductor Victor Pablo Perez and pianist Humberto Quagliata perform works by Britten, Marco and Falla; 9pm; Jan 19, 20, 21 (3.30pm)

■ FRANKFURT

DANCE
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● Ballett Frankfurt: perform three choreographies by William Forsythe, including two world premieres and the choreography "Four Point Counter"; 8pm; Jan 20, 21, 25, 26, 27, 28 (3pm)

■ HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Ilaria Mancino: accompanied by pianist Carla Cuomo. The mezzo-soprano performs songs by Satie, Tosti, Weill and others; 8pm; Jan 22

■ LAUSANNE

CONCERT
Salle du Métropole
Tel: 41-21-3122707
● Orchestre de Chambre de Lausanne: with conductor Claudio Scimone and guitarist Göran Söllscher perform works by Rossini, Villa-Lobos, Puccini and Boccherini; 8.30pm; Jan 22, 23 (8pm)

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● BBC Symphony Orchestra: with conductor Andrew Davis and the BBC Symphony Chorus, conducted by Stephen Jackson, perform Ives' "Harvest Home Chorales", "Symphony No.2", "General William Booth" and "Symphony No.4"; 7.30pm; Jan 21
● London Sinfonietta: with conductor Oliver Knussen perform Ives' "Over the Pavements", "Tone Roads I and III", "All the Way Round and Back", "Theatre Orchestra Set", "The Gong on the Hook and Ladder" and "Three Places in New England" (Chamber version); 5.30pm; Jan 20
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Die Zauberflöte: by Mozart (in English). Conducted by Alexander Sander and performed by the English National Opera. Soloists include Ian Bostridge, Janice Watson, Peter Snipp and John Connell; 7.30pm; Jan 18, 20, 26, 31

■ MUNICH

EXHIBITION
Bayerisches Nationalmuseum
Tel: 49-89-211241
● Der Gral. Artusromantik in der Kunst des 19. Jahrhunderts: exhibition devoted to the legend of the Holy Grail and its influence on art, especially in the 19th century. Highlights of the exhibition include the ornament "Der Gral" by the goldsmith Theodor Heiden, stage designs and properties for the first performances of Richard Wagner's opera "Parsifal" in Bayreuth and Munich, tapestries by Burne-Jones and Morris, and the monumental painting "Parsifal" by Anselm Kiefer; to Jan 21
OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Simon Boccanegra: by Verdi. Conducted by Fabio Luisi and performed by the Bayerische Staatsoper. Soloists include Paolo Gavanelli, Amanda Roocroft, Ulrike Schneider, Jan-Hendrik Rootering and Sergej Larin; 7pm; Jan 21

■ NEW YORK

AUCTION
Sothebys Tel: 1-212-606-7000
● Important Americana from the Collection of Mr and Mrs Adolph Henry Meyer: sale of more than 200 pieces from the collection of Adolph and Ginger Meyer, which includes examples of 17th century, Queen Anne, Chippendale and Federal furniture as well as pieces of folk and decorative art and furniture. Centrepiece of the sale is a Chippendale block and shell-carved mahogany kneehole desk, attributed to Edmund Townsend, Newport, Rhode Island, 1770; 2pm; Jan 20
EXHIBITION
Solomon R. Guggenheim Museum
Tel: 1-212-423-3600
● Claes Oldenburgh: an Anthology: retrospective exhibition devoted to this Swedish-born American artist. The display includes designs and soft sculptures, vastly enlarged objects made out of canvas, kapok or vinyl; to Jan 21
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Turandot: by Puccini. Conducted by Nello Santi and performed by the Metropolitan Opera. Soloists include Ghena Dimitrova, Veronica Villaroel and Michael Sylvester; 8pm; Jan 19

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Russian State Symphony Orchestra: with conductor Evgeny Svetlanov and pianist Vladimir Ovchinikov perform works by Tchaikovsky, Liadov and Scriabin; 8.30pm; Jan 20

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Vladimir Spivakov, perform Tchaikovsky's "Francesca da Rimini" and "Swan Lake", and Shostakovich's "From Jewish Folk-Poetry"; 7pm; Jan 20, 21 (5.30pm), 22 (9pm), 23 (7.30pm)

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Saint Louis Symphony Orchestra: with conductor Leonard Slatkin perform Barber's "Symphony No.1", Baker's "Whispers and Echoes" and Rachmaninov's "Symphony No.2"; 5pm; Jan 20

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(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel:
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FT Business Morning
10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets
17.30
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Edward Mortimer

The wrong priority

As Emu slips out of reach, the EU needs another project to focus on: a political union for a wider Europe

Will the European Union have a single currency on January 1 1999? An English-speaking commentator who wishes to be considered pro-European should really keep any doubts he has on this point to himself. By voicing them, he runs the risk of being accused, at best, of wallowing in Eurosceptic *schadenfreude* (delight in the misfortunes of others), at worst, of actively conspiring to sabotage the whole European project or to turn it into a mere free-trade area devoid of political content.

Still, it is hard to be more royalist than the king (as the French say), and it is perhaps not obligatory to have more faith in Emu than its strongest French supporters. At last week's annual Franco-British conference the French participants unanimously assured us that President Jacques Chirac is 100 per cent determined to achieve monetary union in 1999, and to do whatever is needed to ensure that France meets the Maastricht criteria in 1997. But they also admitted that, as the deadline approaches, the feat is getting harder and harder to achieve.

This was not so much because of the will to resist expenditure cuts demonstrated by French public sector employees in last month's strikes. Rather it was because slower-than-expected growth is producing lower-than-expected revenue and thereby keeping France's government deficit well above the Maastricht figure of 3 per cent. Such a problem is as likely to be aggravated as cured in the short term by further fiscal tightening – and between now and 1997 only the short term is left.

Some British Euro-enthusiasts tried to cheer up their French colleagues by suggesting that, when the decision has to be made, Germany will interpret the criteria flexibly. But the French knew better. The decision, they pointed out, will have to be taken in the run-up to German federal elections due in autumn 1998. However flexible Chancellor Helmut Kohl might wish to be, he could not hope to carry public opinion against the Bundesbank on terms for abolishing the D-Mark.

So French policy is, it seems, to hold on and hope against hope. Perhaps such courage and tenacity will be rewarded by a timely upswing of the business cycle, but what will Chirac do if it is not?

His worst option is surely simply to wait for the statistics, and for the thumbs-down from the German government. He would do better to seize the initiative, abruptly slashing interest rates and announcing that France has resumed control of its currency and its economy. Such a policy was openly advocated, before Chirac's election, by one of his leading supporters, Philippe Séguin (now president of the National Assembly). Chirac implicitly rejected it when he asked Alain Juppé to head the government; but if he changed his mind (and his prime minister) later this year, or early next, he could say he had at least given Maastricht an honest try. It would not be his fault that it had not worked.

Still, that would amount to tearing up a treaty that France has signed and ratified. Chirac might have difficulty in persuading the now independent Bank of France to co-operate. Anyway, it would be a damaging admission of failure in a project to which virtually the entire French elite had committed itself. And it could mean the end of French pretensions to be leading Europe in equal partnership with Germany.

Opinion polls suggest that most people do see the need for closer co-operation in foreign policy and defence to deal with all the new uncertainties

A less traumatic way out would be for France to propose a postponement of Emu until Italy is ready for it, arguing that the "hard core" of the EU must include, at least, all six of the founder members. The risk there is that postponement will be interpreted, notably by the markets, as a euphemism for abandonment.

Either way, the blow to the morale of those who believe strongly in European integration would be very serious. It would be something like Black Wednesday, or worse, on a continent-wide scale. Perhaps the nearest parallel would be the French National Assembly's decision to vote down the European Defence Community in 1954.

EDC was the Emu of those days. It was seen as *the* European project. It had been devised by French statesmen as a way of keeping German rearmament under supranational control; and it backfired because the idea of merging the French and German armies, less than 10 years after the second world war, proved too much for French nationalism to swallow.

The parallel is instructive because the abandonment of EDC did not, as it turned out, mark the end of European integration. Within a year, at the 1955 Messina conference, the governments concerned were engaged on a new project, the European Economic Community, which was to grow into the EU we have today.

They had failed to convince the public of the need for European defence integration, at a time when European defence was being organised through Nato, under firm US leadership. So they went back to economic integration, which had a dual purpose easily understood by the public: to increase economic opportunities for all, and to bind the societies of western Europe together so that they would never again be tempted to make war against each other.

Today things are rather the other way round. Most west Europeans are satisfied with the degree of economic integration already achieved, and many fear that further advances will intrude too much on their daily lives, or will make it harder for their national governments to protect them against adverse circumstances.

But opinion polls suggest that most people, even in Britain, do see the need for closer co-operation in foreign policy and defence, to deal with all the new uncertainties of the post-cold war world, especially since the willingness of the US to involve itself in all Europe's security problems can no longer be taken for granted.

Many people feel intuitively that Emu, a project conceived in the 1980s, was the wrong priority for Europe in the 1990s. It may or may not be a good long-term goal, but it is less urgent than the task of projecting stability eastward and allowing peoples like the Czechs, Poles and Hungarians – whom Stalin prevented from joining in the recovery of western Europe after 1945 – to resume their rightful place.

That implies enlargement of the EU, which is now accepted in principle. But it also implies a strengthening of the EU's capacity to take decisions, while clearly limiting the scope of those decisions to things that states really can do better together than separately (the principle of subsidiarity). That is supposed to be the task of the intergovernmental conference which will open in Turin in two months. If Emu is to be the EDC of the 1990s, it is all the more important to make Turin the new Messina.

·LETTERS TO THE EDITOR·

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Agreement from the opposition

From Mr Ray J. Groves.

Sir, With reference to the alleged US "constitutional paralysis" mentioned in the Lex column ("US politics", January 13), it should be noted that the North American Free Trade Agreement was enacted in 1993 not because the Democrats controlled the White House and both Houses of Congress but rather only because the majority of the Republican members of Congress supported President Clinton, whereas many Democratic members of Congress did not support their own president.

Ray Groves,
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26th floor,
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US

No help from bank independence

From Mr Gerald Holtham.

Sir, John Crow (Letters, January 5) asserts that "empirical economic evidence" establishes that central bank independence leads to lower inflation without any loss to economic performance. I know some academic articles make that claim but I would dispute it strongly.

Take Mr Crow's own experience. He was a distinguished governor of the Bank of Canada between 1987 and 1994 when he established a greater degree of independence of government than any of his predecessors. Consumer price inflation was at 4.4 per cent in the year that he took over and was at 0.2 per cent in the year that he retired. Inflation was clearly reduced. Concurrently, the Canadian budget deficit was at some C$30bn when he arrived, rose to C$35bn and was still at C$25bn in the year that he left. The gross debt of the Canadian general government rose from 69.2 per cent of gross domestic product in 1987 to 95.6 per cent in 1994 (OECD data).

Was the deficit not a consequence of monetary policy? Would the government have followed such a fiscal policy if it had not been able to hide from the markets behind Mr Crow's reputation as an inflation fighter? Was this not yet another instance of the gross policy imbalance which almost always follows central bank independence? Would Canada really have been worse off if inflation had remained at, say, 2 to 3 per cent and some of the debt build-up had been avoided?

In skewing economic policy, central bank independence generally damages harms economic performance. Other examples are easily cited.

Gerald Holtham,
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UK

Clear reason for postponement of union

From Mr Peter Provost.

Sir, Following the strange choice of name for the common currency, the Euro, the mind boggles at the reported suggestion of Mr Theo Waigel, the German finance minister – a suggestion supported in your letters column (January 12) by Mr Edmund Dell – that subsequent to the inception of the Emu, backsliding members face the threat of eviction. It is of course inevitable that, over time, the comparative wealth and finances of each member will vary as against each other and the "norm".

After the enormous expense of new currency and coinage; after the process of customer acclimatisation; after all the disorder and displacement; a member can be thrown out at the diktat of some undefined committee.

To translate this extraordinary suggestion into understandable terms, there are nationalist movements in both Wales and Scotland seeking independence. It is a novel idea that either or both be evicted from the UK if their attributable borrowing exceeded an arbitrary percentage of their attributable gross domestic product.

The union of Europe, to be preceded by a currency union, may or may not be desirable or attainable. After the failure of the "snake" and the various editions of the ERM, too numerous to mention, please Messrs Dell, Waigel etc. please let the dream of union be postponed *sine die*.

Peter Provost,
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UK

Recognition of interest

From Mr John Donovan.

Sir, Before the word "stakeholder" is distorted out of recognition by our semi-literate *apparatchiks*, perhaps an attempt should be made to define it.

"Stakeholder": an independent party (individual) with whom each of those who take a wager deposits the money etc wagered. Surely not what Lady Thatcher is so uptight about or, indeed, what Labour leader Tony Blair is talking about.

"Stakeholder analysis" is a favourite piece of MBA-inspired gobbledegook, and might be regarded as a little "wet" by the Thatcherites (rights?).

It provides a useful framework within which to evaluate ethical and political pros and cons of a particular action from the viewpoints of all concerned, that is those with a stake, however remote, in that action.

Presumably a stakeholder society is one in which the stakeholders (voters) have an acknowledged interest, at least until after an election.

John Donovan,
17A La Plata d'Ordino,
Principality of Andorra

CNG not meeting hopes of vehicles market

From Mr A. Rushdi Siddiqui.

Sir, You are incorrect in stating "Of the alternative fuels, compressed natural gas (CNG) is the most promising" ("Smog clears over carmakers", January 11). If you were to examine the state of CNG vehicles in the US – a leader in alternative fuel vehicle technology – as reported in the bible of natural gas vehicles, *Natural Gas Fuels*, you would see:

- the industry revising its figures for CNG vehicles for the year 2000 to 250,000 from 2m.
- The new sought-after client is the high fuel-use fleet.
- Amoco, a highly visible player in the industry, closing one third of its natural gas stations due to economics. Only one two-thousandths of one per cent of natural gas is actually used as motor fuel.
- Alternative fuel providers, gas and utility companies, are fighting against federal government enforcement of purchase/conversion mandates under the Energy Policy Act of 1992.
- The fuel may be "readily available", but the inferior quality of it is resulting in high engine failure rates.

Thus, CNG vehicle technology has *not* met expectations in the US passenger vehicle or fleets market.

Separately, the north-east states will follow the California Air Resources Board's decision to roll back the electric vehicle mandate (2 per cent) for 1998 because premature introductions would disappoint customers' expectations. The disappointment in EVs would increase hostility towards commercially viable second generation EVs for 2003.

Present EV battery technology (lead acid) has not only failed the cost-benefit analysis in demonstration projects in the US but also, according to a 1995 Carnegie Mellon study, emits six times more lead (a carcinogen) per kilometre than a Geo Metro powered by leaded gasoline. Furthermore, second generation EV batteries, lithium ion and nickel metal hydride, are prohibitively expensive and still in the prototype stage. However, there is a market for EVs and it includes golf courses, airports, malls, stadiums and large government complexes.

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Personal View · John Kay

Social life of the markets

Many countries with buoyant economies are far from being individualistic societies

Reuter

Stakeholder economy: Blair (left) began the debate in Singapore

Singapore, where UK opposition leader Tony Blair launched a debate on the merits of a stakeholder economy, is an extreme instance of a modern paradox. Capitalism is generally equated with individualism: market forces are said to require well-entrenched and well-defined rights in private property. Yet most successful market economies are far from being individualistic societies.

No one would apply that epithet to fast-growing Singapore, Japan or Korea – or to Germany, Norway or Switzerland, still the richest nations, even if their recent growth has been lacklustre. In all these countries the observation of former UK prime minister Lady Thatcher that "there is no such thing as society" would be greeted with bewilderment.

Libertarians have always stressed exclusion – the right of individuals to opt out of society. But these countries are characterised more by inclusion – the right, and the obligation, to be part of society.

What these countries illustrate, in different ways, is that high degrees of group and social cohesion are not just capable of being reconciled with capitalism. They may actually be important in making markets effective.

The most truly individualistic economy is probably Nigeria, and it does not work. This is not very surprising. Inclusion and shared values promote trust, co-operative behaviour and the ready exchange of information. These things do not just make for a kinder, gentler society. They also yield hard-nosed commercial advantages.

Such values encourage closer working together, which is why the Japanese have achieved unmatched levels of component reliability, implemented just-in-time production processes and shortened model cycles. They help explain why the German and Swiss have secured exceptional standards of production engineering. In the UK, trust, co-operative behaviour and the exchange of information were the historic basis of the competitive advantage of the City of London.

The term "stakeholding" originated in discussion of the role of the large corporation, and it still finds its most important applications there.

Companies have responsibilities to develop the skills and capabilities of employees, and to try to achieve security of employment. These responsibilities are not purely instrumental. They do not exist simply because doing these things might make more money for the shareholders. They might – or then again they might not.

Nor is it desirable that such responsibilities be imposed as obligations by government regulation. Regulation is inflexible and damages weak businesses which cannot afford to do these things, however much they would like to.

Companies have responsibilities simply because that is how good companies behave in an inclusive society. Most business people know this, and their behaviour reflects it. But they do so much less than they did, as a result of the corrosive influence of individualistic rhetoric and takeover fever.

The alternative to acknowledging that companies have these responsibilities is to say that training and unemployment are the concern only of the state and the individuals affected. They involve you and me only if such concern is forced upon us or if it is in our own narrow self-interest. The stakeholder perspective expects us to assume that responsibility more fully – not through the state, but as managers, as shareholders and as employees who still have jobs.

These complex, and often largely implicit, relationships within and between organisations are essential to modern business. Yet they find no role in the traditional left-right rhetoric, in which all economic power is assumed to rest with either the state or individuals.

Old socialists and the new right agreed on this dichotomy, and disagreed only on how large the role of the state should be. Yet the obvious fact is that most economic power rests neither with the state nor with individuals, but with groups and associations – of which large corporations are the most important.

Singapore is not the best example, since it has a powerful, if rather unusual, state. Look instead to Switzerland or Japan – very different societies, but each with important common elements.

In both countries, taxes and public spending are low relative to national income. Each is a strongly inclusive society, with welfare provision largely decentralised to corporations and communities. The regulation of economic activity is not based on state dictation, but on a strong sense of shared values and common objectives.

Commentators looking at these societies find it difficult to identify quite where economic or political power lies. The structure of Swiss democracy or the Japanese corporation is complex, tacit and even incoherent.

The advantage of this is that it is difficult for interest groups to capture the economic and political institutions of these countries. It also requires them to be run on behalf of the interests of all: anyone who exercises power must consider and balance the range of economic and social interests.

Stakeholder societies function primarily as the result of the existence of commonly held expectations and values. They are managed inclusively because that is how people believe they should behave, not because someone tells them to do so. This contrasts with the corporatist model, where such instructions come following negotiations between representative assemblies of interest groups, such as unions, local councils or chambers of commerce.

The UK cannot simply emulate Germany, or Japan, or Switzerland, or Singapore. Markets operate within a social framework which is the product of each country's culture and history. That is why these countries have as many differences as similarities.

But Britain has much to gain from becoming a more inclusive and high-trust society. The aggressive individualism of the past 15 years is in many ways an alien philosophy.

The author is chairman of London Economics and visiting professor of economics at the London Business School

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FINANCIAL TIMES
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Looking to Ulster's future

Much capital is being invested in the forthcoming report of the independent body charged with breaking the deadlock over the decommissioning of illegal weapons in Northern Ireland. It is hoped the report will play a central role in shaping a transition from the present, shaky, ceasefire in the province to a permanent peace.

The body, headed by Mr George Mitchell, the former US senator and present adviser to Mr Bill Clinton, plans to publish its conclusions in the middle of next week. No-one will begrudge Mr Mitchell and his colleagues this few days slippage beyond their original deadline of January 18.

Until the issue of IRA and loyalist arms can be put to one side there can be no substantive negotiations on a new settlement in Northern Ireland. And the backdrop to Mr Mitchell's deliberations has been far from ideal. The recent spate of IRA murders has been a reminder that powerful elements within that organisation still prefer terror to talks. The refusal of the leaders of Sinn Fein, the IRA's political wing, to condemn such murders has deepened the suspicions of unionists.

Mr Mitchell, however, has won praise from all sides. Despite some residual suspicion in Whitehall about US involvement in the process, he has proved himself an astute politician. He has been attuned both to the complexities of the issues and the need to remain an impartial arbiter.

Few therefore doubt that the body will produce a workable formula to remove two of the three obstacles in the way of all-party political negotiations. This would involve establishing a measurable commitment by the paramilitaries eventually to disarm, and agreement on a verifiable means of doing so.

Most attention, however, will focus on the way Mr Mitchell deals with the present deadlock on the timing of decommissioning. The instinct of all sides will be to judge the report on the extent to which it backs Britain in its insistance that some arms must be destroyed before negotiations begin, or supports Sinn Fein in its demand that arms be retained until the end of political talks.

Such a reaction may be inevitable, but it would also be misguided. The importance of Mr Mitchell's report will lie not in whether it backs one side or another in this dispute, but whether it charts a way forward which has a chance of winning the confidence of all strands of opinion in the province.

In this respect, the British government should dismiss any remaining fears that modification of its position would involve a loss of political face. Similarly the Irish government must be ready to insist that Sinn Fein deliver on any confidence-building measures demanded of it. Mr Mitchell's recommendations will carry real authority only if they secure the backing of the two governments. The indications so far are that he has a right to expect them to look to the future rather than the past.

Kohl's kitchen

Shakespeare's Julius Caesar had no doubts about it: "Let me have men about me that are fat," he said. "Sleek-headed men, and such as sleep o'nights." He would have been comfortable with Helmut Kohl.

The German chancellor is a man who positively revels in his splendid bulk. He wears his waistline as a badge of honour. He strides onto a platform with belt buckle bulging, using his body to occupy the space, not simply stand there. His size is not merely his political password. It is a statement of belief, of self-assurance, as much as style. The man has no self-doubt. He loves his food. He tucks in at the slightest opportunity.

As if this were not enough to infuriate his more lean and hungry rivals, lesser mortals, every one, he has now advertised his ferocious appetite with a cookery book: *Culinary Travels through Germany*. It is a celebration not just of German cuisine, but of all it stands for: of motherhood, and apfelstrudel, of good home cooking round the hearth, of hand-copied recipes in the family cookbook, and above all, of the wonderful wurst.

Germany is a wurst-paradise, his book declares. Every bulging shape and size of sausage is celebrated lovingly in the text: from the mighty bratwurst to the stubby Bavarian weisswurst. Every man, woman and child in Germany consumes on average 25 kilos of sausages per year. But that is not all. The chancellor's roll of honour is a tribute to the heartiest and heftiest fare a cook could dream of concocting: pickled pork knuckles with sour cabbage; carp in black beer; pig's stomach stuffed with apples; stuffed potato pancakes; rolled veal kidneys; beer dumplings with duck breast stuffing and plum sauce.

Contrast this endless vision of culinary incorrectness with the sad sight of another one-time chancellor, Lord Lawson, who has abandoned self-indulgence for the diet. He is positively proud of having shed four stone and more in a terrible onslaught on his once-portly figure. He is even writing his own book to celebrate.

Lord Lawson is but a shadow of his former self, both physically and politically. Gone is the air of self-assurance. Gone the confident waistline.

Not so the German chancellor. His self-indulgence is more than mere gratification. It is an expression of his identification with the ordinary German citizen, the secret of his political success. It is also a celebration of national identity, of cultural difference, in its cuisine. Mr Kohl may be the great European, but his is clearly not a grey monochrome Europe, where all must eat pasta or chips. He is the embodiment of a Europe in which sauerkraut survives, alongside his beloved saumagen, the Rhineland equivalent of haggis. As long as we don't all have to eat wurst.

London first

When London prospers, so does Britain. That, in brief, is the message of yesterday's London School of Economics report on the capital's future. It is essentially valid, however unpalatable the implications may be for regional leaders naturally anxious to corner more public and private resources to improve their own cities.

Large cities – particularly self-styled "world cities" including London – are back in the sun. Pundits have long since ceased consigning them to slow, if not terminal, decay. Even the much-vaunted information revolution is now widely regarded as a plus not a minus – a view supported, so far, by the City of London's experience as a financial centre gaining a strong comparative advantage from the combination of location, critical mass and leading-edge telecommunications and information technology.

The LSE report seeks to extend arguments about an "agglomeration effect" – the economic advantages cities gain from their size – to other sectors. It notes, in particular, the national importance of the capital's airports, universities and arts and cultural industries. Nearly one-third of those working in these last two sectors in the UK are based in London.

London Transport and the City Corporation have used these facts and arguments to call for increased concentration of government infrastructure investment in the capital.

The notion that London is always a poor relation when it comes to infrastructure investment is risible. The National Lottery, the arts budget, state spending on inner-city regeneration, investment in a railway network which largely radiates out of London – the catalogue of the capital's pulling power is extensive. Lottery revenue for "good causes", a disproportionate amount of which is being lavished on London's cultural facilities, is only the latest addition.

However, the poor state of public transport in London is a notable cause of concern. The problem here arguably lies less in London's clout relative to the rest of Britain, and more in the reluctance of the present government to countenance flagship public transport investment projects anywhere in the UK. But either way, the misery of London's commuters is largely attributable to inadequate infrastructure spending.

The LSE report carefully avoids the debate about the future government of London. This cannot be neglected for much longer. Even Lord Howe, a leading member of Lady Thatcher's government which abolished the Greater London Council a decade ago, now concedes that "there is a need for some such organisation". No other city of London's size lacks a coherent voice, and there is no good reason for continuing to refuse one.

Battle to bridge a policy gap

Papandreou's decision to resign has come just in time for Greece as it seeks to strengthen its position in Europe, says **Kerin Hope**

Mr Andreas Papandreou, Greece's socialist prime minister, used to have a knack of bouncing back from disaster. He survived a scandalous love affair with an airline stewardess, three election defeats and a trial on corruption charges before leading his party's return to power in 1993.

But his resignation on Monday, in a letter from the hospital where he has been fighting lung and kidney failure for the past two months, came as a relief to cabinet colleagues; they feared he would have to be thrown out of office to make way for a new leader.

"Mr Papandreou's resignation was long overdue," says Mr Elias Antonopoulos, an Athens businessman. "He couldn't do his job properly because of poor health and he was making Greece look ridiculous. Now we have a chance to become a normal European country."

The battle to succeed the 76-year-old Mr Papandreou will be decided by the weekend. In one corner is Mr Costas Simitis, a former industry minister who heads the pro-European faction in the governing Panhellenic Socialist Movement, Pasok. In the other is Mr Gerasimos Arsenis, the defence minister and leader of the populist faction, whose adherents cheerfully accept handouts from Brussels but resent the economic rigour imposed by Greece's attempts to meet the Maastricht targets for European economic and monetary union.

Costas Simitis, former industry minister and head of Pasok, and Gerasimos Arsenis, defence minister and leader of the populist faction

For whoever wins, positioning Greece more favourably in Europe will be a priority. Mr Papandreou's frail health prevented him from playing an active role at EU summits or visiting other European capitals, and he devoted more attention to rebuilding relations with the US.

Popular sympathy for Mr Papandreou's plight – he is still on life support machinery for several hours a day – had given way to impatience at Pasok's indecision over the succession. Opinion polls showed that an overwhelming majority of Socialist supporters wanted a new prime minister to take over this month.

To a large extent, the Socialists' reluctance to replace Mr Papandreou reflected a Greek political tradition of subservience to a charismatic leader. Though he is unlikely to return to political life, Mr Papandreou will remain chairman of Pasok, which he founded 21 years ago. Neither Mr Simitis nor Mr Arsenis would attempt to imitate Mr Papandreou's autocratic style.

Mr Papandreou moderated both his anti-western rhetoric and his interventionist economic policies in the 1990s, when Pasok abandoned its Marxist charter in favour of becoming a party of European social democrats. But he remained in sole charge of policymaking, helped by an informal "kitchen cabinet" of advisers, including his wife Dimitra – the former stewardess – and a few close associates.

This group, which includes Mr Carolos Papoulias, the foreign minister, has come under sharp criticism during Mr Papandreou's illness for encouraging the unrealistic notion that he would soon be able to resume his duties. They are expected to follow the prime minister into retirement as soon as the new prime minister takes over.

For Greece's economic managers, Mr Papandreou's resignation has come just in time. The political vacuum was blamed for a decline in tax revenues at the end of 1995, upward pressure on interest rates and financial market nervousness.

Mr Alex Papadopoulos, the finance minister, feared that last year's achievements of reducing inflation to 8 per cent and controlling government spending would be undermined. He says that cutting the government deficit from 10.2 to 8.7 per cent of gross domestic product this year and stabilising public debt is crucial to keeping Greece on on the road to monetary union.

Yet political uncertainty has not driven away foreign investors. The government last month signed contracts with overseas investors for a \$200m gold-mining project in northern Greece and for a Dr210bn (\$884m) bridge to be built across the Corinth Gulf. The bridge will be co-financed by the European Union.

As the poorest EU member, Greece receives grants from Brussels equivalent to more than 4 per cent of GDP yearly. This year the government expects to draw down more than Ecu3bn in handouts from two special funds set up to help economically weaker member states catch up with wealthier partners.

The EU, however, has said it will hold back a substantial percentage of this year's aid unless the government sets up a "one-stop shop" to speed up investment approvals and a special committee to monitor progress on EU-backed projects.

Greece's new prime minister will have to handle mundane matters of this sort, as well as larger policy issues, if he is to improve the country's standing in the Union.

In the opinion of many observers, Greece has failed to mature as a fully committed member of the EU club. It has backed away from its old confrontational tactics with Brussels – such as Mr Papandreou's threat a decade ago to veto Spain and Portugal's entry unless Greece received extra funds – but it retains its habit of putting its own national interests above those of the Union. Greece joined in 1981 not so much because of any commitment to the single market but more in order to shore up its democracy, which was still fragile after the travails of the colonels' dictatorship.

The policy gap between Greece and its EU partners widened appreciably during the conflict in former Yugoslavia. Despite Greek claims of being a force for stability in the region, its pro-Serbian tilt and disputes with Albania and Macedonia only served to heighten tensions in the southern Balkans.

The succession crisis has slowed Greek efforts to repair ties with its Balkan neighbours following the Bosnian peace agreement. Greek businessmen have moved into Macedonia following the lifting last September of a Greek trade blockade against the former Yugoslav republic. But UN-sponsored talks on ending the dispute over Greek objections to Macedonia's name – one the Greeks claim belongs to them – have been placed on hold until a new prime minister is in place.

The Socialists yesterday took pains to demonstrate that the process of choosing a new prime minister would be swift and smooth. Mr Simitis and Mr Arsenis officially announced their candidacies in front of the television cameras, before resuming their lobbying of the Pasok deputies who will elect the new prime minister.

Professor Nikiforos Diamandouros, an Athens university political scientist, says: "Prising Mr Papandreou out of office was a painfully slow process. But his departure marks a qualitative change in Greek democracy."

Compared with Mr Papandreou who kept voters spellbound – and could infuriate EU colleagues – the two frontrunners to succeed him are amiable but colourless.

The choice of the Greek business community is Mr Simitis, 58. When he was industry minister, he succeeded in implementing an EU-backed stabilisation programme in the 1980s and has the confidence of the government's economic team.

He has steadily built support among the 170 Socialist deputies following his failed attempt last year to make Mr Papandreou address the succession question. Most important of all, Mr Simitis is considered the man most likely to win the 1997 general election for Pasok.

Mr Arsenis has a strong following in the Pasok party machine but commands the support of fewer deputies. He will be seeking an unofficial endorsement from members of Mr Papandreou's circle who are fiercely opposed to Mr Simitis taking over, and he may also look for support from Mr Papandreou.

As central bank governor in the Socialists' first administration, Mr Arsenis launched a sweeping reform of the banks, but he is still mistrusted by businessmen because of his support for Mr Papandreou's policy at that time of nationalising industrial companies considered to have strategic importance.

Three other candidates are expected to run. They are former foreign minister Yannis Haralambopoulos, acting prime minister Akis Tsochatzopoulos and speaker of parliament Apostolos Kaklamnis.

Whatever the poll outcome, the transfer of power to a younger leader will help Greece's evolution into a modern European democracy. Though struggles lie ahead the Socialists are likely to serve out the rest of their term. The chances are that Mr Simitis and Mr Arsenis will make an effort to co-operate, regardless of who becomes prime minister, if only to prove themselves worthy successors to Mr Papandreou.

Additional reporting by Emma Tucker

Papandreou: has devoted more attention to rebuilding relations with the US

· OBSERVER ·

IMI meeny miney mo

■ It was a typically modest ceremony. Rainer Masera, the only minister stepping down (as opposed to remaining as caretaker) in the wake of the Dini government's resignation last week yesterday handed over Italy's budget portfolio. He is returning to run IMI, the banking group he left a year ago, with some reluctance, to take up ministerial office.

Masera may have left quietly, but he will be missed. With his Oxford economics doctorate and Bank of Italy background, Masera, 53, provided the intellectual driving force behind the Dini government's economic policy. His quiet efficiency and knowledge of international finance helped him play a vital role in steering public finances back towards the Maastricht criteria.

Not that his departure is any surprise. His role as a technician risked being compromised, and he had let it be known he was anyway anxious to get back to IMI. And there was the matter of that meagre ministerial stipend.

Masera will find IMI much altered, with the treasury no longer a shareholder, and three big banks, San Paolo di Torino, Cariplo and Monte dei Paschi, as core partners jockying for power. Masera can look forward to mediating in that. He will also have to declare his hand with respect to IMI's prominent position in the flotation of Silvio Berlusconi's TV interests.

Out of the woods?

■ As senior bods from Goldman Sachs gather this weekend for their annual meeting in the leafy surroundings of the Doral Arrowwood conference centre outside Manhattan, the thorny issue of the possible flotation of their 127-year-old partnership will doubtless more or less dominate proceedings. Should debate lead to acrimony, and the partners' renowned united front crack, then Arrowwood's Project Excel programme, a "supervised, adventure-based programme to build team spirit and confidence", will be just the thing.

But before Wall Street's stuffiest shrug off their braces and rush into the woods to attack a "challenging rope course", they might like to avail themselves of another of the centre's varied facilities. Each guest room apparently boasts a study area with a large desk, a dictionary and a thesaurus – for the provision of endless ways in which to say no?

Euro-yawn

■ Yet another big name drops out of next week's European Commission gala conference in Brussels to sell the idea of a single currency to the European public.

Cees Maas, director of ING, the Dutch insurance and banking group, and an expert on the transition to a single currency, has cancelled because he is travelling on business.

The Dutch banker's last-minute withdrawal follows a lukewarm German response. Helmut Schmidt, former German chancellor and co-founder of the European Monetary System, declined an invitation. Karl Otto Pöhl, former Bundesbank president, accepted only to withdraw. The Bundesbank, the big sceptic on Emu, is likely to be represented – but only by Peter Schmidhuber, a former EU commissioner.

The eleventh hour cancellations are a blow to Yves-Thibault de Silguy, the EU commissioner who dreamt up the idea of the conference – a brainstorming session-cum-media extravaganza stretching over three days.

But in setting up an accompanying exhibition devoted to how Europeans must learn to love the single currency, de Silguy would seem to have hit on a reasonably pertinent theme – if only there was anyone who mattered to look at it.

Learning by doing

■ Bullish news for aspiring car thieves. There's a video out in Belgium detailing how to overpower anti-theft immobilisers in 80 seconds.

According to the German magazine Stern, publication of the video itself is a bit on the shady side too. Intended for internal consumption only at two Belgian car insurance companies, it has found its way on to the black market, with copies changing hands at anything up to \$320.

A Belgian insurance expert consulted by Stern reckons that it has been leaked, with the aim of harming sundry competitors who offer big discounts for cars fitted with immobilisers. But Observer suspects that its educational value to the criminal community rather outweighs its capacity to damage competing insurance salesmen.

Pure bull

■ Egg-headed analysts who pour over traditional corporate data are nervous about the US stock market's prospects this year.

Unlike members of the Super Bowl school of stock pickers, who hold that the market is sure to rise if a team from the old National Football League wins the national championship. Victory for a team from the old American Football League indicates the imminent emergence of bears. Both teams in this year's Super Bowl – the Dallas Cowboys and the Pittsburgh Steelers – happen to be old NFL teams. This investment business is just such a doddle.

The Financial Times

100 years ago

Easier to fall than to climb
These are indeed exciting times for the City, the experience of the past sixteen months presenting a startling contrast to the four years of stagnation, both on the Stock Exchange and in commerce, that followed the Baring crisis. Since the autumn of 1894 there has been no lack of sensational movement, but the fat and the lean have not been evenly distributed. It has been a case of a long boom and a brief crash, the latter undoing in three months most of what had been achieved in the previous twelve months of arduous but joyful labour; the record of this winter having afforded an eloquent illustration that is sufficiently elementary but is yet ignored by the average speculator; namely that it is much easier to fall downhill than to climb up.

50 years ago

Holland blames U.S.
Amsterdam: The Dutch Government officially declares that it holds the U.S. responsible for the almost complete stagnation of U.S. export trade to Holland in view of that country's credit policy and the impediments raised by it against defreezing Dutch dollar assets in the U.S. The defreezing talks have been hampered by the U.S. requiring a security against German hidden assets.

FINANCIAL TIMES
Wednesday January 17 1996

US carmakers fear flood of airbag litigation

Supreme Court upholds safety challenge to Ford

By Haig Simonian, Motor Industry Correspondent

Carmakers selling vehicles in the US could face one of their biggest safety challenges after the Supreme Court in Washington yesterday upheld a case against the Ford motor company.

The court denied an appeal by Ford against a state ruling which would allow motorists to sue carmakers for failing to fit airbags.

"The auto industry views this as a very important issue", said Mr Dean McGrath, an attorney with the American Automobile Manufacturers' Association. "We're obviously disappointed by the decision."

Ford's appeal had been supported by the association and the trade body representing manufacturers of imported vehicles.

Both groups fear the Supreme Court's decision will open the way to a rush of legal action by plaintiffs against carmakers which have not installed airbags in their vehicles.

The Supreme Court's move followed a ruling last September by the state supreme court in New Hampshire allowing the relatives of Ms Rebecca Anne Tebbets to sue Ford for not fitting a driver's side airbag in her 1988 Ford Escort.

Ms Tebbets died after an accident in 1991, when her car crashed into a tree after swerving off the road. Although wearing a seat belt, she died after hitting her head against the steering wheel.

While the plaintiffs claimed Ms Tebbets would have survived the accident had her car been fitted with an airbag, Ford argued the car had been built three years before airbags became mandatory and at a time when the company only had to equip 25 per cent of its 1988 model-year cars with some form of passive restraint.

Although a New Hampshire lower court dismissed the case, the state's supreme court said the case could be heard, in spite of Ford's argument that federal safety legislation took precedence over state claims.

Lawyers for plaintiffs in similar cases against carmakers in other states have been eagerly awaiting the Supreme Court's decision. Last month, the state supreme court in Indiana followed New Hampshire's example and said a similar case could go through.

Lawyers for the motor industry have called on the Supreme Court to review the situation, which has wider implications for the precedence of federal over state legislation.

The motor trade associations said a review was urgently needed "to address a question of national importance".

Czech central bank moves to support financial sector

By Vincent Boland in Prague

The Czech Republic's central bank yesterday moved to restore confidence in the country's banking sector by appointing an administrator to Ekoagrobanka, a small privately owned regional bank.

The Czech National Bank said it would also seek a consolidation of other small institutions to address a growing bad debt problem and would order all banks to provide more financial information to customers.

With the government facing a general election in early June, the CNB had faced political pressure to prevent a repeat of last week's queues of anxious customers withdrawing deposits from Ekoagrobanka following reports that the CNB was poised to take over its operations.

The rescue of Ekoagrobanka involves slashing its share capital from Kč600m ($22.3m) to Kč1.2m, in effect wiping out its shareholder base. It is to receive a capital injection of Kč500m from the Consolidation Bank, a state-owned institution created in 1990 to assume the bad debts of the old centralised banking system.

The CNB is also to provide a bridging loan of Kč1bn to enable Ekoagrobanka to reopen. The central bank said the aim of the administration was to "restore the bank's financial balance and allow its return to operation as soon as possible".

This is the first time a Czech bank has been placed in administration with a view to reopening it quickly. Other banks in similar difficulty have been closed or taken over by bigger institutions.

Mr Josef Tosovsky, CNB governor, said Ekoagrobanka should reopen its branches by Friday. Deposit insurance would guarantee the bank's 150,000 personal account holders up to a maximum of Kč100,000 each.

Mr Tosovsky said that all banks would be told to provide more information to customers on their ownership and business activities, including making annual accounts and auditors' reports available. He also warned that shareholders at banks that ran into trouble had to expect to bear losses incurred.

Three-quarters of all domestically owned Czech banks have share capital of under Kč1bn, although they hold only about 12 per cent of all deposits.

Mr Tosovsky declined to say how many needed assistance, but he said between 5 and 8 per cent of the entire banking sector faced potential problems.

The main cause of the difficulties is lack of lending experience and loans advanced to shareholders who are unable to repay. Banking analysts say this has been exacerbated by failure to provide adequate reserves to offset bad loans because banks do not want to report the annual losses that would result.

Sony to boost role in multimedia markets

Continued from Page 1

Sony calls "companies". This system was introduced in 1994 to revamp an increasingly bloated and bureaucratic corporate structure and to make the group more market-driven.

Sony then divided itself into eight "companies" with their own presidents. Each was given a degree of autonomy and independence in a move aimed at realising "the regeneration of the Sony spirit," the company said. The reorganisation builds on that corporate structure.

As part of the reorganisation, a new personal and mobile communications company will be created through the merger of the existing InfoCom Products company and the Mobile Electronics company.

InfoCom Products, which has focused on electronics for vehicles, such as car audio and car navigation systems, is expected to increase sales to Y85bn ($833.33m) this year, while the Mobile Electronics Company, handling mobile phones, is expected to record sales of Y130bn this year.

In addition, the audiovisual products division will be split into the Display Company, the Home AV Company and the Personal AV Company. The move highlights the importance of video displays in multimedia products.

The changes, which reflect the growing importance of IT in the consumer electronics industry, were welcomed by analysts.

"They are finally doing what they needed to do," commented Mr Koichiro Chiwata, industry analyst at Salomon Brothers in Tokyo.

Indonesia's wealthiest companies forced to help poor

By Manuela Saragosa in Jakarta

Indonesia's President Suharto has set up a foundation which will manage compulsory donations from Indonesia's wealthiest companies in a move ostensibly aimed at reducing poverty.

Under a directive issued by the president, companies with an annual after-tax income of more than Rp100m ($43,000) are obliged to donate 2 per cent of their earnings to the foundation. Foreign companies operating in Indonesia, although not covered by the decree, have also been asked to donate.

The foundation, headed by the president, will implement a poverty alleviation scheme which ministers say will involve collecting about Rp1,150bn in order to grant 15m poor families in Indonesia a low interest rate loan of Rp100,000 each.

Mr Bambang Trihatmodjo, Mr Suharto's second son, will be treasurer of the foundation, known as Yayasan Dana Sejahtera or Autonomous Prosperity Fund. He will work with Mr Anthony Salim, who together with his father heads the Salim Group, considered to be Indonesia's most powerful conglomerate.

Other members on the foundation's board include Mr Sudwikatmono, a prominent businessman and cousin of Mr Suharto, and Mr Haryono Suyono, the population minister. According to the official news agency Antara, the foundation's initial paid-up capital is Rp250m.

The foundation was born out of a declaration made by Indonesia's largest conglomerates in August last year in which tycoons pledged to support the country's economic growth programmes and reduce the gap between rich and poor.

However, compulsory donations were not what leaders of the country's conglomerates – which control a large proportion of all private business in Indonesia – had intended with the declaration.

The idea had been that they would help alleviate poverty by fostering the growth of small businesses. The so-called "Bali Declaration" came at a time when there was talk in government of issuing new competition rules aimed at curbing conglomerates' activities.

Most of Indonesia's conglomerates are controlled by ethnic Chinese, a minority which has long been resented for its disproportionate wealth.

Mr Haryono was quoted by Antara as saying Mr Suharto had called on Indonesia's tycoons not to be suspicious about the contributions they would be asked to make: "That contribution should be looked at as a moral obligation." He said the fund would be managed in a transparent way and the use of the money would be reported to the public.

THE LEX COLUMN

Dangerous cocktail

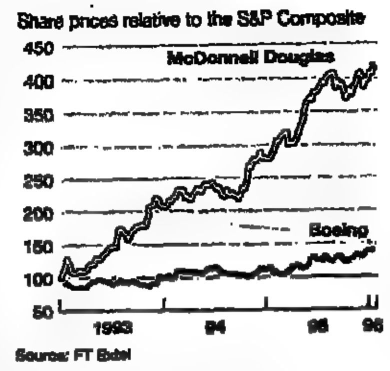
The profits collapse at Rémy Cointreau says more about the company than the spirits industry. Clearly, life is tough for all small spirits companies, given high distribution costs and weak markets in Europe and the US. But Rémy also has to live with a strong currency, and a strained balance sheet. The combination is proving disastrous.

Pushing up its spirits prices was probably a sensible gamble by Rémy. It has a French franc-denominated cost base but a high proportion of dollar sales. Moreover, its competitors have all been talking about doing the same. However, the short-term impact of its strategy has been a sharp loss of market share, particularly in China, where Rémy Martin prices were increased by 10 per cent. This has exacerbated Rémy's core weakness: the fact that it is competing with the industry giants through its own international distribution network, but without the same product range or balance sheet.

At least Rémy has started to tackle its debt. The exercising of convertible bonds and the sale of Picon will bring in FFr1bn ($200m) and a further FFr1bn of disposals is promised. But the company remains substantially undercapitalised by comparison with its international ambitions, and it has ruled out rights issues at current levels. Consequently, the most likely outcome is either a takeover – if the Hériard Debreuil family is prepared to surrender control – or a deal to share Rémy's distribution costs. But it is still looks too early to buy the shares.

FT-SE Eurotrack 200: 1617.5 (+14.6)

US aerospace



Source: FT Extel

Boeing/McDonnell

The logic of a tie-up between Boeing and McDonnell Douglas is not diminished by the apparent collapse of talks between the two parties. Boeing may have the lion's share of the civil aviation market, but its defence business is too small to compete against the industry's megaliths, particularly after the current spate of rationalisation. The long-term viability of McDonnell Douglas's civil aviation operation is doubtful, and its profitable defence business faces growing competition. Even if McDonnell's civil side had to be sold off to resolve anti-trust difficulties, a merger would have given critical mass in both fields.

This compelling logic may persuade traditionally conservative Boeing that it is worth paying a slightly inflated premium, if necessary even through a hostile bid. If, though, the merger has been blocked by the desire of McDonnell executives for a seat at the top table, its shareholders might get upset. McDonnell's recent strong performance will be difficult to maintain, and a better chance to sell may not appear. Boeing at least has other options. It could sell its defence business, though this would mean sacrificing the benefits of passing defence technology on to the civil side of the business.

Ultimately, competitive pressure, as shrinkage of the defence industry forces consolidation, may drive both parties back to the table. In the meantime, European competitors should take advantage of any brief respite to set about their own overdue rationalisation.

UK economy

The duo which controls Britain's monetary policy – Mr Kenneth Clarke and Mr Eddie George – is heading into a danger zone. Conveniently for the chancellor, the full impact of any further interest rate cuts on underlying inflation would probably not be felt until after the next election. Politically, the temptation to cut rates – either following today's monetary meeting, or more likely next month – must therefore be considerable.

Numerous excuses are to hand. The economy has been slowing, and underlying inflation is widely expected to fall below the government's 2.5 per cent target during this year. In this situation, the risk is that the chancellor's excessively optimistic 3 per cent growth forecast comes to be seen as a target. Pushing the economy to meet it by using further rate cuts, on top of tax cuts which will take effect in April, looks a high-risk strategy.

Rate cuts would feed through most sharply into consumer spending. But consumer spending is already recovering: Britain's high streets have had a good Christmas. The real worry surrounds exports, especially to the troubled economies of continental Europe. This is not a problem which interest rate cuts would solve.

Mr Clarke has so far refused to act as the political chancellor he was initially seen as. And Mr George is unlikely to sanction dramatic rate cuts. The biggest risk is a drip-drip series of small cuts, each in response to the latest bit of good inflation news. It is a temptation which should be resisted.

British Gas

Nothing seems to go right for British Gas. This time, the gas regulator has made clear she will not take the company's massive contract problems into account in her two forthcoming price reviews. This is fair, but it is a heavy blow for optimists who hoped that, given all BG's other problems, the regulator would feel obliged to be lenient.

The decision matters because the bigger of the two reviews goes to the heart of BG's business – its cash-cow, TransCo. The regulator is worried that TransCo's investment spending is well below its depreciation charge, allowing it to generate massive amounts of cash despite a tough profit cap. If the regulator changes the rules on this, it could knock hundreds of millions off BG's cashflow. Meanwhile, the separate review of BG's charges to consumers could have a nasty sting in the tail, if the regulator were to conclude that she should set prices in line with the current contract price of gas – around 25 per cent below what BG actually is paying.

All this is hard to reconcile with the recent bounce in BG's share price. The market has been comforted by talk of bids and suggestions that BG might be saved by a levy ultimately feeding into higher prices for consumers. The latter looks implausible: facing an election, the government is hardly likely to force consumers to pay over the odds to bail out one of Britain's least popular companies. Without a more convincing solution, it is difficult to justify the current share price.

Additional Lex comment on Scottish & Newcastle, Page 19

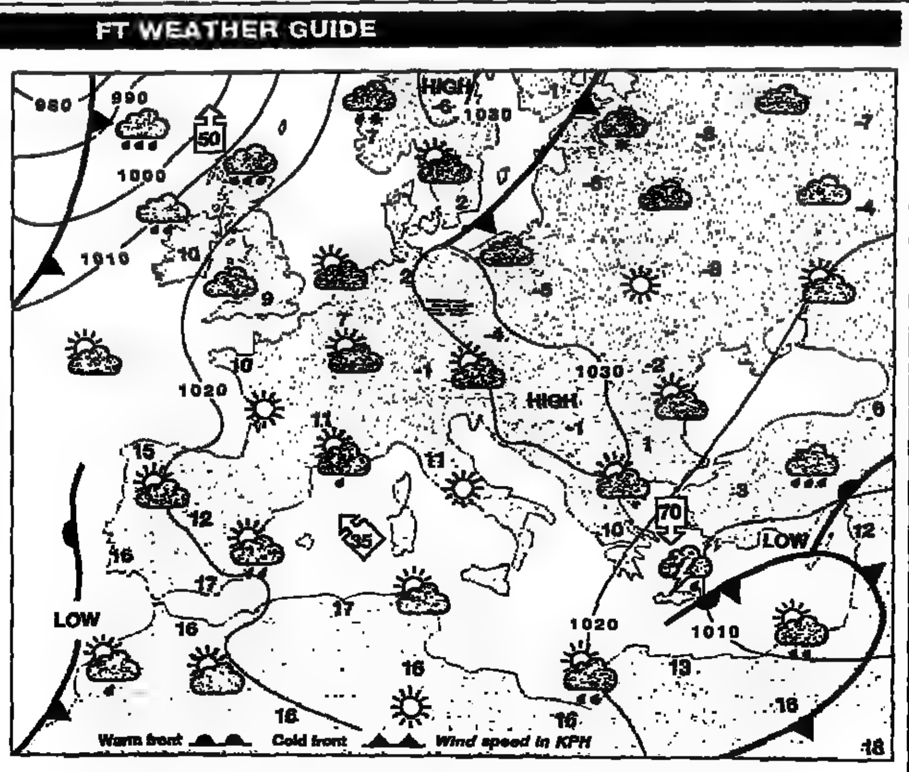
FT WEATHER GUIDE

Europe today

High pressure will bring calm conditions to most parts of Scandinavia and Russia. Cloud will linger over these regions, although sunny conditions will prevail in central Sweden. Finland and northern Russia will have light snow. It will be sunny, but frosty from Poland to Romania and towards the Ukraine. High pressure will also bring settled, but mostly cloudy conditions to the low countries and across to the Balkans. Further south, gale force winds from the north will blow across the Aegean Sea, resulting in rain in Istanbul, the south coast of Turkey and Crete. Italy, the Alps and France will have sunny spells, although fog will develop in some regions later in the day. Portugal will be bright and sunny, while Spain will be cloudy with showers near the coasts.

Five-day forecast

Showers are expected throughout the British Isles and in Portugal on Friday, spreading to central parts of the Mediterranean. High pressure will build over Scandinavia and north-west Russia. The resulting easterly flow will direct cooler air towards western Europe. Snow will fall in the Norwegian mountains. The Alps will remain dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	sun	1	Caracas	fair	30	Faro	fair	16	Madrid	cloudy	11	Rangoon	fair	32
			Belfast	cloudy	9	Cardiff	cloudy	8	Frankfurt	cloudy	2	Majorca	cloudy	17	Reykjavik	rain	8
Abu Dhabi	cloudy	24	Belgrade	fair	0	Casablanca	fair	18	Geneva	cloudy	4	Malta	fair	13	Rio	cloudy	31
Accra	fair	31	Berlin	cloudy	-2	Chicago	rain	6	Gibraltar	cloudy	15	Manchester	cloudy	9	Rome	sun	13
Algiers	fair	18	Bermuda	fair	22	Cologne	cloudy	4	Glasgow	drzzl	9	Manila	shower	29	S. Frsco	cloudy	13
Amsterdam	fair	5	Bogota	cloudy	19	Dakar	sun	25	Hamburg	cloudy	1	Melbourne	fair	25	Seoul	fair	1
Athens	shower	7	Bombay	fair	30	Dallas	shower	19	Helsinki	snow	-1	Mexico City	sun	22	Singapore	cloudy	30
Atlanta	fair	19	Brussels	fair	8	Delhi	cloudy	13	Hong Kong	fair	26	Miami	shower	24	Stockholm	cloudy	1
B. Aires	fair	27	Budapest	fair	1	Dubai	shower	24	Honolulu	fair	29	Milan	fair	7	Strasbourg	fog	2
B.ham	fair	8	C.hagen	cloudy	2	Dublin	drzzl	10	Istanbul	rain	4	Montreal	cloudy	3	Sydney	drzzl	26
Bangkok	fair	34	Cairo	shower	12	Dubrovnik	sun	11	Jakarta	rain	27	Moscow	cloudy	-6	Tangier	fair	16
Barcelona	cloudy	13	Cape Town	fair	27	Edinburgh	cloudy	10	Jersey	fair	10	Munich	cloudy	-2	Tel Aviv	rain	14
									Karachi	sun	21	Nairobi	fair	28	Tokyo	fair	10
									Kuwait	shower	17	Naples	fair	13	Toronto	cloudy	6
									L. Angeles	cloudy	18	Nassau	fair	26	Vancouver	fair	5
									Las Palmas	shower	21	New York	cloudy	8	Venice	sun	7
									Lima	cloudy	26	Nice	fair	13	Vienna	cloudy	1
									Lisbon	fair	15	Nicosia	shower	15	Warsaw	sun	-6
									London	fair	9	Oslo	cloudy	-1	Washington	cloudy	8
									Lux.bourg	fog	2	Paris	fair	11	Wellington	fair	19
									Lyon	fair	8	Perth	sun	37	Winnipeg	cloudy	-16
									Madeira	fair	19	Prague	fair	-1	Zurich	cloudy	1

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 17 1996

IN BRIEF

Dell warns as slide in shares continues

Shares in Dell Computer continued to slide after dropping more than 24 per cent in the previous two sessions. The US PC maker became the focus of investor fears of a PC market slowdown after it warned of lower profit margins. Page 18

Repsol abandons plastics merger plan
Repsol, the Spanish oil and gas company, said a plan to merge its plastics businesses with Austria's OMV had been abandoned. The deal's collapse comes days after the Spanish cabinet approved the sale of up to 11 per cent of the company. Page 16

Soros upbeat on Japanese stocks
The Japanese stock market received the endorsement of one of the world's most prominent investors when Mr George Soros said Japanese equities represented the best prospects in 1996. Page 17

UK brewer to cut 1,600 jobs
Scottish & Newcastle, largest UK brewer, is to shed 1,600 jobs by closing two breweries, 13 distribution sites and other units to integrate Courage, the brewer it bought for £443m ($682m). Page 19

Analysts see volatile year for metals
Metals prices are expected to be more volatile this year, according to the Financial Times's survey of metals price forecasts. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Ado	765.5	+	12.5
BMW	811	+	14
Hoechst	431	+	11.5
Linde	900	+	19
Wella	771	+	24
Falls			
Allianz	881.5	-	14.5
NEW YORK ($)			
Rises			
Chase Manhattan	59¾	+	2⅝
Chemical Bnk	57¼	+	2⅛
Citicorp	66	+	2⅞
IBM	84½	+	1⅝
Wells Fargo	213½	+	3⅛
Falls			
Intel	53	-	½
LONDON (Pence)			
Rises			
Coda	231	+	21
Savoy A	1020	+	45
Scotts Hldgs	563	+	20
Zeneca	1291	+	43
Falls			
Mersey Docks	391	-	14
Photo-Me	133	-	14
TORONTO (C$)			
Rises			
Arequipa Res	7	+	1
Dundee Banc B	16	+	1½
TVX Gold	11⅝	+	[illegible]
Falls			
Corel Corp	12½	-	1¼
Idar Intmt	10¼	-	1¼
Motoworks	13¼	-	1¼

PARIS (FFr)			
Rises			
Air Liquide	800	+	15
Canal Plus	958	+	38
Ecco	893	+	22
Sanofi	474	+	16
Falls			
AGF	151.8	-	7.1
Credit Natl	374	-	13.8
TOKYO (Yen)			
Rises			
Chiyoda F&M	620	+	18
Hazama Corp	465	+	24
Kagome	960	+	35
NSK	779	+	36
Falls			
Renown	386	-	18
Yomiuri Land	783	-	27
HONG KONG (HK$)			
Rises			
Sino Land	7.4	+	0.35
Tak Sing Alli	3.2	+	0.4
Winsor Ind	7.3	+	0.45
Falls			
Capital Asia	1.29	-	0.1
Englong Intl	2.0	-	0.1
Vitasoy Intl	2.95	-	0.17
BANGKOK (Baht)			
Rises			
Intl Bcast Co	55.5	+	5.0
Phatra Inc	164.0	+	14.0
Sahaviriya	57.5	+	5.0
Falls			
Somprasong	58.0	-	4.5
United Motor	100.0	-	7.0
Univentures	55.0	-	5.0

New York and Toronto prices at 12.30pm.

SE-Banken fined for breaking bourse rules

By Hugh Carnegy in Stockholm

The Stockholm stock exchange yesterday imposed a SKr2m ($300,000) fine on Skandinaviska Enskilda Banken, one of Sweden's leading commercial banks, for breaking bourse rules in its handling of information about heavy credit losses which caused an unexpected slump in its profits in 1995.

The stock exchange's disciplinary committee strongly criticised SE-Banken, the financial flagship of the Wallenberg empire, for issuing a press release last January which asserted that losses linked to Luxonen, a failed financial investment group, had been covered by SKr1bn provisions made in 1994.

In subsequent months, SE-Banken was forced to make further provisions totalling SKr2.9bn to cover Luxonen losses, resulting in a 51 per cent fall in the bank's operating profits in the first nine months to SKr1.4bn and prompting strong criticism from investors. The bank's shares had to be suspended briefly in August when its unheralded announcement of a SKr2.2bn tumble in first-half profits caused chaos on the bourse.

The bourse accepted that the January press release was issued in good faith, but it said the categorical way it was worded, suggesting that measures taken at the time had strengthened the bank's position regarding Luxonen, "were not well grounded".

It said it was clear that Mr Björn Svedberg, SE-Banken's chief executive, and his senior managers were not aware at the time of the special construction of swap contracts held by Luxonen which were to cause much of the losses.

The bourse said the information failure amounted to a breach of SE-Banken's listing agreement and it fined the bank two years' listing fees, or SKr2.14m.

The bank acknowledged that senior officers did not know in January that the swap contracts held by Luxonen – a company founded by a former senior SE-Banken executive – were more volatile than regular swaps because of their high exposure to currency fluctuations. But it denied top management had failed to understand the operation of such derivatives.

"It is correct that top management and the board were not informed about the very special construction of those very specific contracts," said Mr Karl Ahlenius, spokesman. "That, of course, is embarrassing. But that is very different from saying they did not understand the contracts."

He said the bank's credit control system had been thoroughly reviewed in the light of the Luxonen affair. But he said the affair was the "last hangover" of the series of credit losses that hit Swedish banks in the early 1990s and a new credit policy system put in place since the bank crisis was "functioning well".

Watchdog refuses to ease pressure on British Gas

By Robert Corzine in London

Ofgas, the UK gas industry regulator, is to ignore growing financial pressures on British Gas from disputed long-term gas contracts when it sets new consumer and transportation price controls later this year.

In a move that will disappoint the company, Ms Clare Spottiswoode, the Ofgas director-general, has dismissed speculation that she might loosen the regulatory regime in order to ease the company's financial plight.

She also said in an interview that one of the main issues being debated was whether to cut from April 1997 the price of gas which British Gas can pass on to 19m domestic consumers. A decision to do so could slash tens of millions of pounds off the company's profits just before full domestic competition in 1998.

At present British Gas can pass through virtually the full amount of its weighted average cost of gas of around 19p-20p a therm – considerably higher than the long-term industry average of about 15p a therm. Ofgas must decide if such costs are justified, or if the acceptable level should be lowered.

British Gas says its high cost base is the result of being locked into £40bn ($62bn) worth of expensive contracts, many signed when it was a monopoly.

Last year, British Gas paid £520m to North Sea producers for gas for which it no longer had customers. This was because of a sharp drop in its share of the markets already open to competition. It is believed the cumulative total will peak at around £1.5bn in 1998-99, when a new pipeline to continental Europe should allow for exports to ease the surplus.

Ms Spottiswoode says the company can ask to have price controls reopened if it finds itself in financial difficulties as a result of the contracts problem.

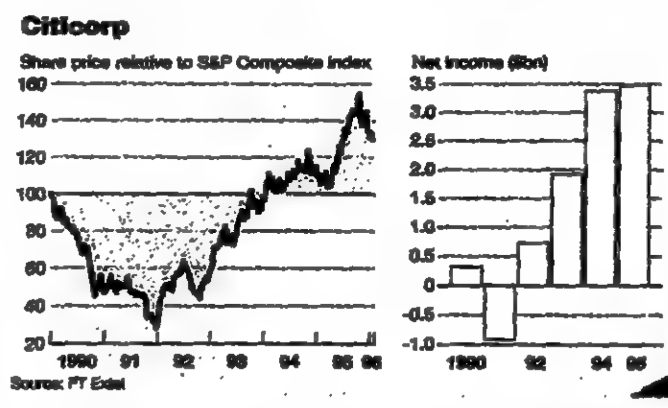
British Gas's competitors and North Sea gas producers blame the company for much of the impasse over contracts. They say British Gas continued to buy high-priced gas long after the government said the market would open to full competition.

Although Ofgas must ensure the "financial viability" of British Gas, Ms Spottiswoode interprets this as she "must ensure a reasonably efficient company and a fair return to shareholders". It does not mean "British Gas should be kept alive forever if it made very bad management mistakes in the past".

Lex, Page 12; Not in control, Page 14

Earnings for 1995 confirm return to health for US's largest bank

Citicorp increases dividend by 50%



John Reed, chairman of Citicorp

By Richard Waters in New York

Citicorp yesterday capped its return to financial health with a 50 per cent increase in the dividends it pays to shareholders and lifted the amount of its own stock it plans to repurchase by $1.5bn.

The move came as the US banking group, which only four years ago teetered on the edge of financial collapse, reported 1995 earnings which confirm its position as one of the world's most profitable banks.

The US's largest bank also announced plans to convert the preference shares it issued at the depth of its financial crisis in the early 1990s into $4bn-worth of ordinary shares. The stock was issued to Prince Alwaleed Bin Talal, the Saudi prince who came to Citicorp's rescue, as well as other investors.

Two other New York-based banks, Chemical Banking and Chase Manhattan, also posted strong earnings gains on what is likely to be the last occasion before their merger. The results came on a day when a number of big US commercial banks reported earnings.

Mr John Reed, Citicorp's chairman, said 1995 marked the last year of the bank's three-year plan to rebuild its balance sheet. Its tier-one capital ratio of 8.4 per cent put it on a par with the US's strongest banks.

Mr Reed surprised the stock market last week with a series of high-level appointments which the bank says are designed to ease the transition to a new, younger management team. The moves include the retirement later this year of Mr Pei Chia, the head of consumer banking who had been instrumental in restoring the bank's profits.

Citicorp's after-tax profits in 1995 rose by only 3 per cent, to nearly $3.5bn. However, its figures in 1994 had been flattered by tax losses carried forward from the early 1990s: its pre-tax earnings last year rose by a fifth, to $5.6bn.

The bank, which until a year ago had been restricted by US regulators from paying a dividend to rebuild its financial strength, announced a quarterly payment of 45 cents a share, up from 30 cents.

It also lifted its share repurchase programme by $1.5bn, taking the total to $4.5bn. The bank said it had bought back $1.5bn of shares since announcing plans last summer to buy back up to $3bn of shares.

Mr Tom Jones, the bank's chief financial officer, said the latest earnings did not represent a cyclical high point for the bank. Instead, it faced the prospect of continued "excellent growth", thanks to its position in consumer lending businesses around the world and in corporate banking in the emerging markets, he said.

In another sign that it had put its traumas of the early-1990s behind it, Citibank also last year recorded a profit for the first time on its portfolio of commercial property in North America.

While benefiting from strong growth in the emerging markets and a solid US economy, Citicorp's latest results also reflected an increase in bad debts from consumer lending common to many US banks, particularly from credit card lending.

The bank registered a loss rate of 3.77 per cent on its US credit card lending, up from 3.49 per cent the year before. "The cycle has turned – clearly, consumer credit costs are going up," said Mr Jones.

He added, though, that the bad debt experience remained "very low by historic standards", and that consumer loans did not carry the sort of risks seen in Latin American or US property lending in recent years.

Citicorp reported after-tax profits of $905m, or $1.72 a share, for the final three months of 1995. The results were 13 per cent lower than a year before, despite a 17 per cent increase in pre-tax earnings, due to $285m of tax benefits in the 1994 quarter.

US bank results, Page 18

Barry Riley

Shareholders gain an edge over stakeholders

So the British Labour party leader Tony Blair – opinion poll favourite to become prime minister by spring 1997 – has decided to promote the concept of a stakeholder economy as an idea to appeal to the disillusioned electorate.

The concept is rather vague, but it is intended as a contrast to the Anglo-American shareholder capitalism which has become more extreme and politically controversial. Recent years have been notable for restructuring, unacceptable unemployment levels, widening of income differentials and sometimes provocative promotion of shareholder value.

However, it is easy for the debate about stakeholding to become confused. At the simplest level, a company heedless of the interests of workers, suppliers, customers or creditors will not serve shareholders very well either, except perhaps as a crude asset-stripper.

Yet admirers of stakeholder concepts have argued that distancing corporate priorities from immediate stock market pressures will bring considerable long-term benefits in terms of investment and growth. Stable governance will be rewarded. Ironically, continental banks, for example, rooted firmly in stakeholder societies, now own a number of London's leading short-termist corporate finance and investment firms.

Mr Blair has not chosen his moment well. The two biggest stakeholder economies, Japan and Germany, are in trouble, and it is interesting to explore why.

When economies are growing, a less confrontational relationship between capital and labour arguably permits faster growth with low inflation, and reduces the risk that domestic demand will periodically overheat, leading to cyclical disruption.

But what happens when international demand slows down? In the extreme case, a stakeholder economy will continue to churn out goods to maintain employment, while a shareholder economy will quickly cut back and restructure to protect profits.

For extreme case read Japan, where two years ago US investors were buying equities on the mistaken view that corporate action would rapidly be taken to restore profits, as it had been in the US during and after the 1991 recession. In fact, output in Japan was largely maintained and the trade surplus rose sharply, helping to push the yen to ruinous levels while manufacturers' profits collapsed.

In Germany, the picture has been less clear cut, and unemployment has risen to levels inconsistent with strict stakeholder theories, but the formidable productive power of the economy has contributed to renewed overvaluation of the D-Mark.

A worse kind of stakeholder crisis is facing France, with its widespread state ownership and subsidies, posing a potentially disastrous choice between intolerable taxes and a collapse of the public finances. The picture of relatively strong fixed investment in the face of shaky profits and a substantial output gap is typical of stakeholder economics.

In shareholder economies we find a significantly different pattern, notably in the persistent trade deficits of about 2 per cent of GDP which both the US and the UK have been running for years.

Unemployment is higher in the stakeholder economies

The British Treasury has commented somewhat sourly on the way in which British manufacturers have taken advantage of sterling's devaluation since 1992 to raise their profit margins rather than to increase volumes. This is the opposite of the stakeholder approach, which is to maintain or increase market share almost regardless of short-term profitability.

Shareholders have benefited in the US and UK during the 1990s. Stock market indices in those countries, measured in dollars, have shown average annual growth of 10 per cent and 6½ per cent respectively. Japan has been slightly negative, and Germany and France have recorded 5 per cent or less.

The curious point which Mr Blair should consider is that unemployment is higher in the stakeholder economies (except Japan, where redundancy is often hidden). And although output in these countries is being sustained, hollowing out appears to be proceeding as new factories are sited in foreign locations which are cheaper and are free from domestic stakeholder responsibilities.

So this does not seem to be an ideal moment to attempt a transfer to the stakeholder camp, but a Labour government returned to power after 17 or 18 years may make a now-or-never judgment. Buy UK bonds but sell equities would seem to be the appropriate response.

Rémy Cointreau to sell non-core units after FFr40m loss

By Roderick Oram, Consumer Industries Editor

Rémy Cointreau, the French drinks group, said yesterday it was negotiating to sell some peripheral businesses after disclosing disappointing results.

It slumped to an unexpected interim pre-tax loss of FFr38.9m ($7.84m) after price rises drove away some customers, particularly cognac drinkers in China.

The setback deepened the group's financial problems and heightened speculation that it could lose its independence, despite famous brands, such as Krug Champagne and Rémy Martin cognac.

It said cognac sales should recover after rivals matched its price rises, but it was negotiating to sell some peripheral businesses to help lighten its debts by about FFr1bn. Debt was at FFr8.7bn last March but has been cut by FFr1bn through conversion of a bond issue and an asset transfer. In contrast, shareholder funds are only FF2.6bn.

Rémy declined to elaborate on the disposals but analysts said its 26 per cent stake in Macallan-Glenlivet, maker of two single malt Scotch whiskies, was its most attractive non-core asset. It could be worth FFr500m.

"This is a fire sale and makes you wonder how long Rémy will remain independent," one London analyst said. The company is majority controlled by the Hériard-Dubreuil family. A takeover bid would be worth at least £1.5bn ($2.3bn), the analyst suggested. The shares fell 90 centimes to FFr150.10 in Paris.

Operating profits for the six months to September 30 fell to FFr216.4m from FFr394.1m, reflecting the setback in cognac sales. Financial charges of FFr255.3m, against FFr310.8m, left Rémy with a pre-tax loss of FFr38.9m against a profit of FFr83.2m. But it reported a net profit of FFr222.4m after an extraordinary gain of FFr256.7m from the sale of one brand's marketing rights.

With about 40 per cent of sales linked to the weakening US dollar, Rémy had pushed up prices last summer 3-15 per cent to try to rebuild French franc profits. Rises of 8-15 per cent in China were not matched by rivals. Group cognac sales fell 16 per cent (or 10 per cent at constant exchange rates) to FFr1.66bn in the nine months to December.

Champagne was up 31.3 per cent at constant rates to FFr753m and group sales totalled FFr5.01bn for the nine months.

Lex, Page 12; Observer, Page 11

THE BRITISH GAS CONTRACTS DISPUTE

Take or pay contracts are a time-bomb ticking under British Gas. Its suppliers say a deal's a deal. FT writers outline the arguments

A question of who should bear the pain

The UK gas market is entering a new era. In two months' time, 500,000 households in the south-west of England should be able to choose who will supply their gas. By 1998, all of Britain's estimated 19m gas supplied households will be able to do the same, writes Peggy Hollinger.

Competition is expected to bring lower prices and immense opportunities for those prepared to enter the rapidly changing market. But, for the country's oldest and largest supplier, competition could mean disaster.

British Gas claims that it has been caught at a debilitating disadvantage in the rush to liberalise the market. It argues that it has been locked into high-priced, "take-or-pay" contracts – dating from its days as a state-run monopoly and estimated to be worth more than £40bn ($61.6bn) over the next 25 years – which put it at a competitive disadvantage at a time of low prices.

So it is calling on its North Sea suppliers and the government to bail it out of the difficulties by entering into one of the largest contract renegotiations ever undertaken in the UK.

The demand has sparked an increasingly acrimonious debate over who should bear the pain of renegotiation: BG, producers, the government, consumers, or all four groups.

At the heart of the problem is BG's role as both producer and supplier. It is one of its own biggest suppliers from fields which carry among the highest priced contracts. Yet producers, too, have enjoyed the benefits of lucrative and secure contracts with BG, while selling much cheaper gas to the market's new entrants, including, like BG, to their own subsidiaries. They have also accelerated the development of fields in anticipation of the competitive market, at a time when oversupply was already depressing prices.

Yet despite all the posturing, which has led to a stalemate between BG and producers, eventually a compromise will have to be reached if the transition to a competitive market is to succeed.

With BG soon set to transfer all of its contracts into a separate company, and uncertainty over whether the parent will give a corporate guarantee, the fear must be that the utility will renege on its contracts. This could cause upheaval in the gas market and throw the government's plans for liberalisation off-course. Doubters need only look to the US, where wholesalers' refusal to pay for gas contracted under similar circumstances left prices low, consumers reluctant to buy for many years and resulted in a string of bankruptcies.

The process has been lent impetus by BG's appointment of Mr Kenneth Gardener, a director of Charterhouse Bank, as a special negotiator.

The problem for outsiders has been to determine just where the middle ground is. The debate has been coloured by emotional attacks and counter-attacks from all parties. In an attempt to clarify the issues, the Financial Times has spoken to BG, a range of North Sea producers and the government. What follows is an exposition of the arguments.

■ THE PRODUCERS CASE – By Peggy Hollinger

Why should we renegotiate now tables are turned?

Gas producers have no trouble reeling off horror stories about the strong-arm tactics used by British Gas in the past to negotiate long-term contracts. Tales abound of agreements which failed hours before signing, simply because the only buyer in town had decided to put a last squeeze on the producer.

It is impossible to escape the emotional impact which BG's demands for renegotiation of gas contracts has had on producers.

"When we were selling them gas at 4p and the average price was 20p, we asked them to renegotiate and they said a deal was a deal," said one of BG's bigger suppliers. Another producer described BG's negotiating philosophy as "Why screw yourself when you can screw someone else?"

So it is not surprising that the initial reaction to a review in the light of oversupply and falling prices has been hostile. Producers cite their duty to shareholders to protect the value of the contracts. They also see no legal or commercial reason why they should renegotiate contracts freely signed and approved by lawyers on both sides. Indeed, they say, renegotiation with BG could lead to pressure from other customers to reopen their contracts.

Almost unanimously, producers cite British Gas's role in creating the very problem it now faces. For example, the contract with its own Morecambe field is one of the highest priced agreements at about 24p, and produces at some of the highest volumes.

At least two of BG's bigger producers compare this with their own average price to the utility of between 16p and 17p.

Furthermore, producers argue that BG was reluctant to see a truly open market and thus failed to release supplies to competitors. This encouraged them to find supplies in new developments, exacerbating the oversupply problem.

Making matters worse, BG signed a contract on its Armada field in 1994, after Mr Michael Heseltine, the then trade secretary, decided to accelerate the drive to competition. This brought even more gas on to the market at a time when the price was already falling.

According to conspiracy theorists, BG had sought to stifle competition in the industrial market in the early-1990s by buying up reserves. It also decided to produce more gas from Morecambe than originally envisaged for a peak supply field. As BG can recover much of its cost through the domestic pricing regime, it could afford to sell some Morecambe gas at cheaper prices into the competitive industrial market, contributing to a collapse in the spot price.

Since the spot price covers a relatively small proportion of the overall market, but draws the headlines, the collapse would create the maximum publicity with the minimum damage. Then, the conspiracists argue, BG would appear to be justified in demanding a review of contracts.

Producers reject BG's attempts to use the spot price fall, which affects only about 5 per cent of the overall market, to justify renegotiation. To compare a long-term contract price with that achieved in the oversupplied spot market is misleading, says one producer. "You cannot apply a distress price to the average over the whole market," he says. "The average price is not 9p or 10p, it is closer to BG's weighted average cost of gas at about 19p."

British Gas has been accused of strong-arm tactics. Its negotiating philosophy was "Why screw yourself when you can screw someone else?"

Producers also argue that they cannot renegotiate contracts while there is so much uncertainty over the shape of the gas market after 1998 – and over how much of the market will still be controlled by BG.

"We need to look at how the total market will unfold. If you give me the answer to that, I will give you the answer as to when I will renegotiate," says another producer.

The larger producers are also anxious about giving any advantage to an international competitor. If BG wants to play with the big boys, they say, it will have to play by the same rules.

Some fear that allowing lower prices and leaving BG with control over the reserves will give the UK company an advantage in the European market when the interconnector – a pipeline between the UK and the Continent – is up and running after 1998.

"We could find BG in a position to buy market share in Europe," says one.

Producers do not blame BG for everything, however. Many say they understand that even BG is in the dark about the market post-1998. The government must shoulder some of the blame, they say, for insisting the domestic market must be liberalised by 1998.

"If you delayed it two years, you would solve all BG's problems," said one. The guarantee of a monopoly in the larger domestic market for a further two years and the interconnector could mop up most of BG's obligations, producers argue.

In spite of the initial hostility to a review, many producers also do recognise that it is inevitable. While producers' average costs to BG may not appear disproportionately high, one large supplier acknowledges that charges from his individual fields "sit uncomfortably with the market today".

There are also strong industrial reasons which may compel the larger producers to come to the table. Uncertainty over the true level of the gas price (with BG paying at one level and others at another) could unsettle the market, as it did in the US. "Unless we correct this problem in a structured way we could cause long-term damage to the market," says one producer.

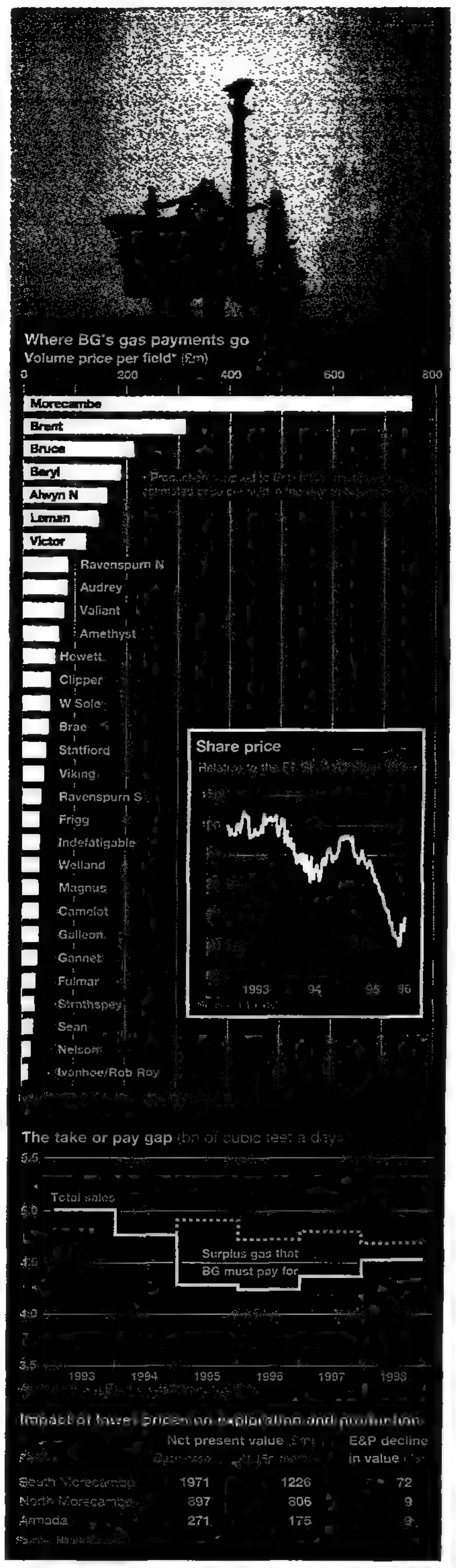
Any compromise, however, will have to offer something to both parties. Producers are sceptical that an industry-wide solution can be found. More achievable, they say would be a series of new agreements tailored to individual fields, covering volumes and reserves, as well as price.

This, of course, would mean complicated negotiations, and "BG has neither the time nor the luxury to enter into a debate on all the contracts", says one producer.

One of the solutions most favoured by producers would be to compel new entrants to the market to take a share of BG's higher priced contracts. Then, some of the others which remain could be renegotiated.

It is clear that some gesture will have to be made by the government or BG before producers are prepared to renegotiate.

"We will work with the industry and we will work with the contracts," concludes a large supplier. "But we are not about to make our shareholders pay for the mistakes of other people."



■ THE BRITISH GAS CASE – By Robert Corzine

Why should we pay for leftover from monopoly era?

In its fight to achieve a renegotiation of the "take or pay" contracts, British Gas argues that they are a legacy of the monopoly era and inappropriate to a fiercely competitive market.

BG's share of the commercial and industrial sectors, which account for half of total gas volumes, has fallen from 100 per cent in 1990 to about 35 per cent. Its domestic monopoly will be whittled away from this spring and be fully abolished in 1998, when 19m consumers, each now paying an average of £350 a year to BG, will be able to switch suppliers.

Executives say failure to renegotiate the contracts will put the company at a competitive disadvantage, violating the spirit of government promises that liberalisation would result in a "level playing field" for participants.

It in turn has been accused by other producers of clinging to its monopoly position with a policy of "he who controls gas supplies controls the gas market". This resistance to change, say the critics, lay behind its failure to recognise the impact competition would have on its market share, and thus on its gas supply needs.

BG's justification starts with a reminder that 55 per cent of its supplies are covered by contracts signed before 1986, when it was privatised as a monopoly with a 25-year licence to supply gas to the public.

It says its gas purchasing policy did change in the late-1980s in line with government moves to encourage greater competition. After the 1988 Monopolies and Mergers Commission report on the industry, it bought only half of the gas brought on stream by the offshore industry between that year and 1991. The legal requirement that it must cope with the coldest winter meant it had to be cautious when assessing future gas needs.

It says it could not have foreseen the speed with which the government intended to open up the market. But shouldn't it have reacted more quickly when the government did show its hand in December 1993 with publication of an ambitious timetable?

A former employee says one BG executive warned colleagues in the late-1980s that the consequences of moving to full competition would be a surplus.

Some City analysts say BG signed a contract to develop its Armada field in 1994 even though the supply arm of the company told Mr Cedric Brown, the chief executive, that it already had more than sufficient supplies.

BG counters that no one could have predicted the speed at which three problems would develop: its loss of share in industrial and commercial markets; the resulting build-up of the gas surplus; and the price collapse.

Nor could it have foreseen the unseasonably warm weather that slashed demand, or delays last year to new gas-fired power stations.

It says it was not alone in misreading the market. Other companies, including Enron of the US, signed high-priced deals in the UK well after the government's announcement. Ofgas, the industry regulator, maintained competitive restrictions on British Gas last year, even though the company had already lost half of the interruptible market of 8bn therms a year. North Sea gas producers undercut BG by flooding the market with cheap surplus gas from new developments.

Failure to renegotiate contracts will put the company at a competitive disadvantage, and violate promises of a "level playing field"

But where does BG fit into all this as a producer? The contracts on its two, relatively high priced Morecambe fields account for just over a quarter of the £40bn take-or-pay liability. This, admit executives, makes internal renegotiation a must if BG is to convince other producers to do the same.

But what of the accusation that the way it has operated the Morecambe fields has been a prime factor behind the surplus and the price collapse?

BG denies that Morecambe gas is being used to drive down spot prices, while accepting that the fields must play a part in any settlement.

It admits that gas deliveries from Morecambe increased in 1989-91 in response to a tighter supply situation. But that was well before the current market conditions materialised. In the year to last September, it sold "only small quantities into the wholesale market, representing just 1 per cent of total British sales". It insists: "We are vividly aware of the danger of releasing excessive supplies and driving the market down."

Last year South Morecambe produced at only 40 per cent of its peak rate and North Morecambe at 45 per cent. That compares with a 50 per cent load factor for fields operated by other North Sea producers. "The Morecambe fields had their fair share, or if anything more than their fair share" of reduced usage below contracted levels, says BG.

A shutdown of Morecambe, as demanded by some producers, would not boost spot prices because there is a gas surplus not contracted to BG, it says.

A shutdown would, in any case, be just as damaging financially to BG as the take-or-pay problem. "Instead of paying £500m to external producers... the company would have to forego all its revenues from Morecambe and leave idle over £2bn of investment."

Morecambe is also at the centre of another divisive issue. Some producers claim that BG's weighted average price of gas (Wacog) of 19p-20p a therm is inflated because of the high price of Morecambe gas. Lower that price, say producers, and the problem would be solved, albeit with considerable damage to the profits of BG's exploration and production division.

Executives say the high price of Morecambe gas stems in part from government demands at the time of its development for a high offshore tax take. This could be changed with the approval of the tax authorities.

But executives say they could only wipe a penny off the company's average cost of gas if they cut the Morecambe price to the current average of 19-20p a therm. That would still leave BG with supplies well above the 14p-17p a therm average of most other producers and competitors.

In common with other participants, BG is reluctant to say what concessions it might make. Asset swaps might be one way forward. Some producers keen to expand downstream might want to buy back some of the gas.

Solutions involving the government could include a requirement that new entrants to the domestic gas market be required to buy some high-priced gas. One levy-based solution could lead to a massive buy-out of the contracts at a discount to their present value.

■ THE GOVERNMENT'S DILEMMA – By Robert Corzine

DTI optimistic 'win-win' solution can be found

The contracts dispute poses a difficult choice for the government.

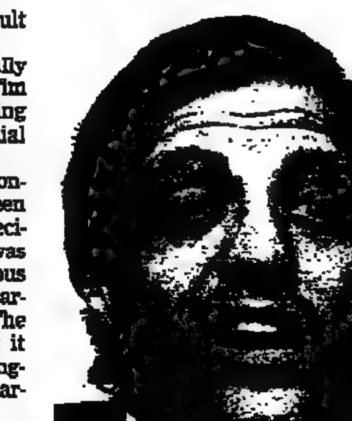
On the one hand, it is ideologically averse to intervention, with Mr Tim Eggar, the energy minister, having repeatedly called for a commercial solution.

This could be compounded by concern that intervention might be seen as an admission of failure to appreciate the scale of the change it was unleashing in 1993, with its ambitious scheme to open the domestic gas market to full competition by 1998. The government denies, however, that it helped to create the surplus by bringing forward the opening of this market.

It is also wary of being accused of "re-regulating a fully privatised industry," as one energy consultant puts it.

On the other hand, the government may also be worried that a failure to find a way through the impasse could upset its politically sensitive plan to offer 19m households a choice of gas supplier within two years.

And the Department of Trade and Industry believes it is better informed than most industry executives about the gas contracts. Officials say the problem is "extremely tractable ... not as big as British Gas claims, but larger than the producers claim."



Tim Eggar: ideologically averse to intervention

They are optimistic that "win-win" solutions could emerge from contract-by-contract negotiations.

The government's official position is that the dispute is a "market transition issue" that is best handled through direct negotiations between British Gas and the producers on a contract by contract basis.

The DTI says competition will benefit the industry, with opportunities arising for all participants. Those involved should co-operate because it is time the gas supply situation reflected the new market conditions.

Some industry observers say the government's reluctance to intervene reflects fears of a loss of tax revenues. Both the producers and British Gas are likely to demand financial concessions, including the removal of the £200m or so levy paid by British Gas for gas produced at older fields in the North Sea's southern gas basin, and possible reductions in the petroleum revenue tax collected from most other fields.

Nevertheless, officials say it is wrong to assume that the government "won't make a contribution. If there is a good case, then we'll take a look at it."

Although there is some questioning of its power to intervene, a senior government official recently said: "We've always had the powers, but we've chosen not to use them. We believe commercial negotiations will produce a better outcome than regulation."

Last week, however, the DTI disclosed that it was studying whether a special levy might be imposed on the industry as part of a broader solution. Such a levy would be part of an "insurance policy" if all else failed. It could be used as a "sweetener" to help bring some companies to the negotiating table, according to one official.

Government-imposed levies have been used elsewhere to solve structural problems in the energy sector. One was imposed in Canada as part of its gas industry liberalisation. A levy is also being considered in the Northern Ireland electricity industry to cover the difference between current fuel prices and those of old pre-privatisation contracts. There is a nuclear levy in the UK to create a fund for decommissioning nuclear power stations.

But while the prospect of a levy has attracted much publicity, the government still wants a commercial solution. It also warns that failure to reach one could have long-term impact on the offshore industry.

A failure of the proposed renegotiation process could "destroy the commercial orientation" which characterises problem-solving in the UK offshore oil and gas industry, says one official.

DTI officials are clearly concerned that the start of the process has gone badly, with emotional reactions hindering progress. "It is unfortunate that producers adopted a generalised position before detailed talks began," says one senior official. "They should be more rational."

But the government rejects allegations that by calling for renegotiation it has aligned itself with British Gas. Officials dismiss the charge as "laughable."

BG, says a senior government official, "has not handled this at all cleverly. Their long pregnant pause is not a good policy. British Gas should have begun serious analysis a year ago to find genuine 'win-win' solutions", acceptable to both sides.

Possible solutions. . .

No one solution is likely to win over all parties. More likely is a combination of proposals being mooted by the individual players. BG's Morecambe field, with its high priced volumes, will inevitably have to play a part in any deal. The following are some of the more popular suggestions.

- **First tried in Western Australia.** New entrants are required under licence conditions to take a proportion of BG's high priced contracts. This could force up the industry's average long-term price and so may limit cuts in consumer prices.
- **Topgas scheme, first tried in Canada.** British Gas borrows billions of pounds to buy out contracts at a discount to net present value. BG repays part of the loan from the proceeds of gas sales and part through a levy on all gas shipped, whether by the utility or its competitors. This cost would eventually be passed through to consumers. This way British Gas, producers and consumers all share the pain. However, any levy to bail out BG would be a controversial political move in the run up to an election.
- **The petroleum revenue tax solution.** The government foregoes PRT on gas covered by BG's contracts. Thus producers would receive the value they had attributed to the contracts, while BG pays the lower tax-free sum. This solution is most popular with bigger producers who would take no pain. However, the government is not likely to relinquish estimated annual revenues of more than £700m.
- **Renegotiate contracts.** BG's and the government's favoured solution, which is being resisted by producers. To succeed, renegotiation will have to include incentives for producers, such as lowering gas quality specifications, reductions in contracted volumes in exchange for higher prices later, and perhaps even asset swaps. Renegotiation would still require government action, for example, through tax relief.

Repsol abandons OMV plastics merger plan

By Daniel Green

Repsol, the Spanish oil and gas company, said yesterday that a plan to merge its plastics businesses with Austria's OMV had been abandoned.

The deal's collapse comes at a delicate time for Repsol. Last week, the Spanish cabinet approved the sale of up to 11 per cent of the company owned by the government, with bids closing in early February.

The sale will reduce the government's stake to 10 per cent.

But Repsol shares rose Pta60 yesterday to Pta4,035. Analysts said the long delay in finalising the venture with OMV meant that few in the market were surprised at its cancellation. OMV shares rose Sch2 to Sch952.

The deal would have been the latest in a series of such ventures in an industry plagued by over-capacity, and would have created Europe's third-largest petrochemicals company.

They include the creation of the biggest two petrochemicals joint ventures in Europe, the Copenhagen-based alliance between Neste of Finland and Statoil of Norway, and that formed by Montedison of Italy and Royal Dutch/Shell.

Repsol and OMV had been considering the merger for more than two years. It was conceived in the darkest hours of the last cyclical downturn in the sector's fortunes.

One analyst said that one factor behind the failure of the deal was the rapidly changing valuations on parts of the two companies' businesses as some chemicals prices recovered faster than others.

The Spanish newspaper Expansion said the state-owned Abu Dhabi petrochemicals company, which is a large shareholder in OMV, also opposed the plan. Repsol blamed various factors influencing the final decision not to proceed with the venture, but could not confirm any one in particular.

The companies said relations with OMV remained "very good", adding that the two companies were currently co-operating in oil exploration in Libya.

"Furthermore, although Repsol and OMV have discarded their plans to group all their plastics business, we are still in negotiations over co-operation in certain areas of that activity," they said.

Repsol is Spain's largest plastics producer, with facilities at its refinery complexes in Tarragona and Puertollano.

The joint venture was to have provided an exit from petrochemicals for OMV. The future of its troubled plastics division has been in doubt since mid-1993 when the company announced a big restructuring. At the time OMV hinted that it would like to get out of the volatile polyolefins and plastic products businesses.

OMV's plastics division made a trading profit of Sch410m ($40.3m) in the first half of 1995 on sales of Sch4.83bn, reflecting substantially improved prices and the fruits of internal restructuring. It was the division's first profit since the late 1980s.

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BNP breaks ranks on cash machines

By Andrew Jack in Paris

Banque Nationale de Paris, one of France's largest banking groups, yesterday broke ranks with its rivals by announcing it would charge clients for making multiple withdrawals from cash machines other than those it owns.

The action is the first time a French bank of any size has resolved to levy such fees, and represents an important challenge to the country's existing system of free universal cash withdrawals.

It is also the latest indication of attempts by French banks to cope with a sharp fall in profitability in the last two years, driven by rising costs and falling revenues in an increasingly competitive market.

At present, customers of French banks using the "Carte Bancaire" plastic card can withdraw money from any rival bank's cash dispenser as well as their own without incurring charges, in a system pioneered during the 1960s.

The banks – through the Groupement des Cartes Bancaires organisation – settle the costs of operating the system among themselves, but have not traditionally passed this charge on to customers.

Each bank pays a fee of FFr5 for every cash withdrawal made by one of its customers at another bank's machine, regardless of the amount.

BNP, whose chairman is Mr Michel Pébereau, operates 2,000 of the country's approximately 18,000 cash machines. It has now warned clients it would now start to charge this FFr5 transaction fee to any of its customers who make more than six withdrawals a month from another bank's machine.

Mr Yves Martrenchar, BNP's executive in charge of customer relations in the branch network, said: "We wanted to send a signal to our clients. Some do not realise that there is a cost to the bank for each withdrawal they make."

He said the bank's clientele included many individuals who lived in large population centres and often made withdrawals from competitors' machines, so BNP lost more money than it gained through the network. He said a few customers made small transactions nearly every day.

He stressed that the action was only designed to affect those who carried out large numbers of such transactions, and studies showed it would only lead to charges for about 3 per cent of its customers, representing 100,000 accounts.

Mr Martrenchar said he expected the decision taken to be "long-lasting and unchanging" – and that it was unlikely charges would be introduced for less than six withdrawals a month from a rival bank.

Only two other small French banks which do not operate their own cash machines currently make charges for cash withdrawals. One other bank attempted to start charging a few years ago but abandoned plans after widespread objections.

Michel Pébereau: his bank was sending a signal to its customers

Benckiser sniffs out Maybelline as a takeover target

The acquisitive German company will have an uphill struggle to close the deal, writes Andrew Fisher

Joh. A. Benckiser, the German detergents and cosmetics company, has a habit of hitting the headlines, going quiet for a while and then bouncing back into the news. Its latest surprise has been an unsolicited bid for Maybelline, the US cosmetics company that had already accepted a $660m bid from France's L'Oréal.

Based south of Frankfurt in Ludwigshafen – home of the BASF chemicals group and birthplace of Chancellor Helmut Kohl – Benckiser is a family-owned company with an entrepreneurial taste for acquisition. In the late 1980s, it sprang into action with takeovers in Italy, Spain and the US, adding to its detergents business and expanding in consumer products.

After digesting its new activities, it pounced again in May, 1992, to buy the Coty cosmetics and fragrances company from Pfizer of the US for $440m. Today, Benckiser – which is not quoted on the stock exchange, but says it may eventually go public – claims to be the world's biggest manufacturer and marketer of fragrances and of automatic dishwashing detergents and water softeners.

It generates annual sales of around DM4.8bn ($3.31bn), more than 80 per cent being outside Germany, especially in the US. Pre-tax profits in 1994 were DM148m, a 34 per cent rise on 1993 but still below target as a result of the D-Mark's strength.

The company, which employs more than 10,000 people, has three areas of business:

- mass distribution cosmetics and fragrances under the Coty name, including the Stetson, Jován, Margaret Astor, Vanilla Fields, Adidas and Coty brands, which are sold through chains such as Wal-Mart, Kmart and Walgreen's;
- more up-market cosmetics and fragrances under the Lancaster group name, with such labels as Lancaster, Davidoff, Joop and Jil Sander;
- household detergents and cleaning agents, the company's original consumer products business, including Calgon (the world's leading water softener) and automatic dishwashing products under the Calgonit, Finish and Electrasol brands.

Household products and cosmetics/fragrances each account for roughly half the total business of the company, which was founded in 1823 by Johann Adam Benckiser.

It has been headed for the past eight years by the expansion-minded Mr Peter Harf, formerly with Boston Consulting Group and AEG, the now ailing electrical subsidiary of Daimler-Benz.

Yesterday, Benckiser was still keeping its cards close to its chest over the offer for Maybelline, which is based in Memphis, Tennessee, has sales of around $350m and makes such mass-market products as lipstick, mascara and nail varnish. The German group declined to comment on its move and has not specified a firm bid price.

In its letter to Maybelline, the German company said it had more than $1bn cash available for the deal and was prepared to pay "materially" more than L'Oréal's $36.75 a share offer. Earlier, Benckiser had offered $36.

With 28 per cent of Maybelline owned by Wasserstein Perella, the New York investment house, which has pledged its stock to L'Oréal, Benckiser has an uphill struggle ahead of it. It is now up to the German company to name its offer price.

If Benckiser does manage to swing matters its way, the deal would reaffirm its willingness to spend heavily on strategic acquisitions.

Its previous purchases since the mid-1980s cost it around DM4.3bn.

At the end of 1992, it had debt of DM3.2bn which had been reduced to DM2.4bn two years later; in 1995, it shed a further DM400m or so of borrowings. One of its main lenders has been Deutsche Bank.

Magneti Marelli plans to double sales in Americas

By Peter Marsh

Magneti Marelli, the Italian automotive parts company controlled by Fiat, plans to double its sales in North and South America over the next five years through a series of investments in the region and increased exports from Europe, according to Mr Domenico Bordone, Magneti chief executive.

In particular, Mr Bordone sees large possibilities for increasing exports to the US and South America of automotive lighting, where in Europe Magneti is the second biggest producer after Valeo of France.

The company envisages that exports to the US of car lighting from its plant in Cannock in the UK – one of its main European lighting factories – will climb from about $1.5m in 1994 to $45m next year.

Of Magneti's annual sales of $3.4bn, only about 10 per cent comes from sales in North and South America. Mr Bordone said in an interview the company aimed to double the sales in the region to about $680m by 2000. "We have firm plans for this. It is not just a dream," he said.

Mr Bordone said the company – among the world's top 10 car components groups – was planning to expand production in its plants in Brazil and Mexico to serve the expanding car industry in South America.

It would also consider expanding production at its US plant which makes engine controls. "The US market is a wonderful growth opportunity for us," he said. Capacity at Magneti's factory near Mexico City is being increased through a $15m investment programme.

Magneti also plans to step up its activities in China, where it has one factory making instrument panels which is due to start production by early next year. This plant, 75 per cent owned by Magneti and the rest by the Chinese government, could be expanded.

The company is also considering a range of other joint ventures in the country to make parts such as engine management systems.

According to Mr Bordone, one of Magneti's strengths is that it makes a large range of vehicle components, some of which can be integrated with each other, particularly through the use of electronic systems. For example, he sees particular growth possibilities through the use of electronics to enhance the performance of engine management systems, air conditioning and lighting.

The company is investing about $8m in Cannock and another $8m at a lighting plant in Turin to make a new generation of headlamps with plastic lenses. Recent changes in European legislation will encourage the use of headlamps with plastic lenses – which double as front covers. In the US they have been used for many years. Because plastic can be moulded into complex shapes more easily than the glass traditionally used in headlamps, plastic lenses lend themselves more readily to new car designs.

Annual output from the Cannock factory, now about $110m, is expected to climb to about $150m by 1998, with exports of lights for new cars and sales to the UK lighting "after-market" (replacements to lamps in existing cars) accounting for much of the growth.

EUROPEAN NEWS DIGEST

Court backs Matra Hachette share swap

The Paris appeals court yesterday rejected the complaint of five French minority shareholders of Matra Hachette that they had been unfairly treated at the time of the 1993 merger between Matra and Hachette, respectively the defence, industrial and publishing arms of the Lagardère group. The minority shareholders claimed the exchange of shares in the merger was unfair because it ignored a missile contract worth nearly FFr10bn ($2bn) which Matra received from Taiwan in late 1992, and that instead of receiving 13 Hachette shares for every five Matra shares, they should have got 20 Hachette shares. The Lagardère group said the Taiwan contract was a defence secret but its impact was factored into the 5-for-13 exchange.

The Lagardère group welcomed the verdict of the court, which also refused to award it damages against the minority shareholders. But it said it had deposited a legal complaint with the state prosecutor, citing "proof of the involvement of important personalities in this destabilisation effort at a critical moment for French defence industries". Demands for FFr150m by intermediaries for the minority shareholders to settle the case out of court amounted to attempted extortion, the group said, against the background of what it claimed was a press-backed campaign against the group in France, the US and Taiwan.

David Buchan, Paris

Axa announces restructuring

Axa, the large French insurance group, yesterday announced a FFr5.9bn ($1.2m) capital increase and a restructuring following which Generali, the Italian insurer, will directly control 11 per cent of the group.

The action, which follows a change of senior management at Generali, will lead to the disentangling of a complex series of cross-shareholdings between the two groups dating from 1990, after Axa acquired the French insurer Compagnie du Midi.

Midi Participations, a holding company which is 40 per cent owned by Generali, will be dissolved, and Generali will in turn buy back Axa's 40 per cent reciprocal stake in GME, a holding company for the Italian insurer.

Axa said it would use FFr2.3bn of the proceeds of the capital increase to convert into equity a loan made last year by Finaxa, one of its ultimate holding companies, while the rest of the money would be available for future acquisitions.

It said that it had agreed with Generali to conclude by February 15 a new shareholder agreement to seek joint development opportunities and to maintain their respective holdings.

Andrew Jack, Paris

Italian groups in outsourcing deal

Four leading Italian informatics companies yesterday launched a joint venture aimed at securing a big share of the country's fast-growing outsourcing market, currently worth L2,000bn ($1.27bn) and expected to double by 2000. The Milan-based joint company, which is called Arancia and will have L5bn capital, has been formed by ITS Information Technology Services, a Fiat subsidiary; Enidata, controlled by Eni; Elsag Bailey Informatica, an arm of Finmeccanica; and Cedacrinord, which specialises in banking informatics.

The four companies expect to have a combined turnover this year of L800bn and aim to achieve sales of L1,500bn in three to four years – of which L600bn should be provided by Arancia. Mr Tarcisio Zucca Alessandrelli, managing director of ITS and Arancia's chairman, said the joint venture's first objective would be to gain a strong hold in the Italian market, which is dominated by Finsiel, a subsidiary of Stet, the public sector telecoms holding company, and IBM. It would then consider entering the European market, possibly with a European partner.

John Simkins, Milan

Coflexip Stena in shake-up

Coflexip Stena Offshore has decided to give more power to its new chairman and chief executive, Mr Pierre Marie Valentin. The Franco-Swedish company, which makes flexible underwater pipes for the oil industry, wants to simplify its management structure.

Mr Valentin is to take over the roles of Mr Christian Marbach, former chairman and managing director, and Mr Thomas Ehret, his co-managing director, who have resigned. This management division dated from Coflexip's 1994 takeover of the Swedish group, Stena Offshore. Coflexip Stena profits fell sharply last year – the first half result dropped to FFr23m ($4.65m) from FFr188m in the same period of 1994.

David Buchan

Karstadt sales flat in 1995

Karstadt, the German retailer, said 1995 group sales were DM26.9bn ($18.6bn), 0.6 per cent lower than a year earlier. Parent company sales dropped 3 per cent to DM12bn in the reporting year, with the Karstadt travel agency business contributing about DM833m. Karstadt said its Hertie Waren und Kaufhaus unit had 1995 sales of DM4.5bn, down 6.1 per cent on 1994. Neckermann Versand AG, Karstadt's mail order business, had 1995 sales flat at DM3.25bn. Nur Touristic sales in the year to October 31 of DM3.4bn marks, or 9.3 per cent more than a year earlier, Karstadt said.

AFX News, Essen

French banks fined over loans

France's two largest banks were yesterday fined FFr210m ($42.4m) by a commercial court in Angoulême for negligently granting credit to a company in financial difficulties. Crédit Lyonnais and Banque Nationale de Paris were ordered to pay the money to the court-appointed liquidator of Compagnie Flamand-Pfertzel International (CFPI), a jewellery manufacturer employing 350 people which closed in 1993 with debts of FFr500m.

The fine represented loans advanced by the two banks over three years up the closure during which time, according to the court judgment, it should have been evident that CFPI was unable to pay its debts and that the loans therefore simply added to the total debts accrued. Both banks said they would appeal the ruling.

Andrew Jack

Franco-US share trade venture

Hambrecht & Quist, the US venture capital group, and Financière Saint Dominique, a subsidiary of Crédit National, the French banking group, yesterday announced the creation of a joint venture designed to trade shares and introduce fast-growing companies to stock markets around Europe. Hambrecht & Quist Saint Dominique, with initial capital of $3m provided equally by the two institutions, claims to be one of the first institutions set up to take advantage of the European Investment Services Directive.

The new business, based in Paris, aims to identify and sponsor new introductions of European businesses, mainly from the high technology sector. Mr Denis Mortier, managing director of Financière Saint Dominique, said there were plans to open offices in other European centres.

Andrew Jack

Moulinex nine-month sales stable

Moulinex, the French consumer electronics group, said sales rose 0.4 per cent from a year earlier to FFr5.9bn ($1.2bn) in the nine months to December. On a comparable structure basis and at constant exchange rates sales would have been up 4.3 per cent to FFr6bn.

AFX News, Paris

Sakura Bank in Asian co-operation pact

By William Dawkins in Tokyo

Japanese banks' hunt for new corporate customers in Asia will advance tomorrow when Sakura Bank, a leading commercial lender, is due to conclude a wide ranging co-operation accord with four other Asian banks.

The deal has been discussed by the partners' respective chief executives at annual meetings for the past three years, since the depth of the Japanese recession, when Japanese companies' demands for domestic loans started to ebb.

It brings Sakura together with Thailand's Bangkok Bank, the state-owned Bank Negara Indonesia, Development and Commercial Bank of Malaysia and Far East Bank of the Philippines, the Japanese bank said yesterday.

Their alliance, to be christened the Asian Bankers' Forum on its launch at a meeting in Jakarta, will embrace co-operation in mergers and acquisitions, syndicated loans for industrial projects, housing loans, derivatives trading and staff training.

This extends an existing alliance between the five, under which they act as correspondent banks, settling accounts on each other's behalf.

Sakura said it aimed to consolidate its Asia customer base and personal relations. Asia is the fastest-growing region for new lending by Japanese banks, but competition from US and European banks is intense.

Japanese banks trimmed their international lending from its 1991 peak after the collapse of domestic property and share prices started to make demands on their capital at home. But Asia led the way when foreign lending expanded again two years ago; the region now accounts for more than a quarter of Japanese banks' outstanding foreign loans, about the same as Europe.

Leading banks have opened offices in Thailand, China, Malaysia and Vietnam in the past 18 months and represent the lion's share of applications to open foreign branches lodged with the Japanese finance ministry over that period.

The increase in Asian lending was originally aimed at the growing number of Japanese manufacturers which have moved production from high cost Japan to cheaper sites in the region.

However, the balance has recently shifted towards lending to Asian companies and government backed infrastructure projects. Japanese banking industry figures show that loans to Asian companies and infrastructure projects were recently growing faster, at 15 per cent annually, than lending to Japanese companies in Asia, which was rising at 8 per cent per year.

Japanese companies' increasing tendency to borrow directly from the bond markets rather than from banks has added to the pressure to seek new customers abroad.

Gengold disappoints with 19% quarterly rise

By Mark Ashurst in Johannesburg

Gengold, the gold mining subsidiary of South African mining and industrials house Gencor, yesterday reported a 19 per cent rise in after-tax income to R66m ($18.2m) for the December quarter against the September period. However, analysts were disappointed with lower dividends and losses at marginal mines.

Mr Tom Dale, managing director, said lower production costs had enabled a 23 per cent improvement in the bottom line, to R14m, but conceded this was "off a very low base".

He also confirmed the sale of the group's four marginal mines – Buffelsfontein, Grootvlei, Stilfontein and Unisel – to Randgold, subject to final approval from the Buffelsfontein board.

Gengold retains management control at Buffelsfontein with an 8 per cent shareholding. Mr Dale said the sale had the support of the two directors nominated by Anglo American, which has a 25 per cent stake.

The mine's entire workforce of about 5,500 would be laid off, although the new management would re-hire about 2,200 employees.

Gengold's capital expenditure of R32.6m at Beatrix Number 3 shaft – compared with R20m the previous quarter – offset a 24 per cent rise in after-tax income to R47.9m from R38.8m.

Earnings per share were 36 cents, compared with 38 cents for the September quarter. The interim dividend was flat at 63 cents.

Aggregate gold output increased at all mines as a result of higher tonnages milled and a slight improvement in yield, to 6.4 grammes per tonne at the flagship Beatrix mine, compared with 6.3 grammes per tonne in the September quarter and 6.1 grammes last year.

Kinross mine reported a loss of R1.1m, down from the September quarter loss of R5m, after absorbing R9.6m in capital expenditure. Losses per share were 6 cents, against 45 cents for the September quarter. The mine, which paid dividends of 50 cents a share in June 1995 and 200 cents in December 1994, omitted its interim dividend.

Mr Dale described Kinross's performance as "a disappointment", and warned that Gengold would not finance infrastructural development by hedging on forward sales unless it was confident of production capacity at marginal mines.

Analysts said hedging at Beatrix had funded capital investments, suggesting the fate of marginal mines could depend on higher bullion prices. "Unless you have secured the business, you might as well deal in commodities. I would have liked to see more hedging," said one.

The Government Mining Engineer had supported Gengold's application to the Commissioner for Inland Revenue for authorisation to extend operations in the Evander gold field. If approved, this would require the lifting of "ring-fencing" restrictions that limit the range of operating mines, clearing a path for collaboration between nearby mines struggling to sustain ailing shafts independently.

While the successful introduction of full calendar working and decentralised wage bargaining remain critical to the industry's future, Mr Dale said restructuring of Gengold's head office had entailed the loss of 70 per cent of jobs.

● Anglovaal Minerals also released quarterly results for its gold mines yesterday, reporting a 12 per cent rise in after-tax profits to R34.8m, compared with R30.9m in the September quarter.

The improvement was attributed largely to lower production costs as a result of previous higher capital expenditure, which increased to R13.2m from R9.3m, and improvements at the Hartebeespoort mine.

A rise in the mine's average yield, to 8 grammes per tonne from 7.7 grammes, boosted total gold production by 274kg to 5,735kg. An interim dividend of 33 cents a share was declared. There were similar improvements at the small Eastern Transvaal Consolidated mine, where after-tax profits rose to R7m from R3.2m.

TNT sells troubled Spanish operation

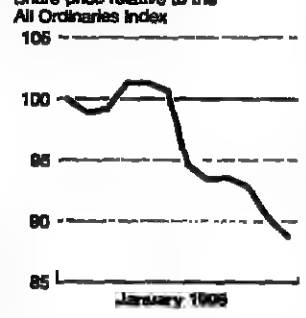
By Nikki Tait in Sydney

TNT, the Australian transport group, has sold TNT Express España, its troubled Spanish express freight operation, for undisclosed terms to local investors.

However, the sale of the business, which cost the company almost A$40m (US$29.7m) in write-offs and restructuring provisions last year, failed to stem the recent sharp sell-off in TNT shares. They closed 2 cents lower at A$1.61 yesterday, having lost more than 10 per cent of their value since the start of the year, amid talk of reduced earnings forecasts by analysts.

TNT

Share price relative to the All Ordinaries Index



Source: FT Extel

TNT declined to identify the buyer of the Spanish business. It said that while the terms had been settled, some details had to be finalised. It refused to be drawn on whether existing provisions and write-offs would prove either adequate or excessive, but said the position would be clarified when its interim profits were released.

Last year TNT sacked two senior executives at the Spanish freight business, after discovering that the subsidiary's returns had been overstated by A$9.4m. TNT said no cash loss had resulted, but management in Australia had been misled into thinking that the Spanish unit was improving its performance when, in fact, it was deteriorating. TNT will retain its more successful Spanish logistics operations, which have contracts with several big customers, including Seat in Barcelona.

The losses from the Spanish domestic operations were blamed for part of the fall in TNT's net profit, from A$105.5m to A$40m in 1994-95. The group was also hit by lower contributions from the Australian general freight division and the Ansett Worldwide airline unit.

The company wrote off A$12.5m of goodwill and made an A$27m provision for restructuring costs; these charges, however, were offset by the writeback of an earlier Ansett-related provision.

● AAPC, the Australia-based hotel management company, has agreed with Malaysia's Taiping Consolidated Berhad to develop and manage hotels in Malaysia.

ASIA-PACIFIC NEWS DIGEST

NTT Data Systems plans Y140bn issue

Japan's NTT Data Systems, an information systems and computer networking systems servicer and a subsidiary of Nippon Telegraph & Telephone, plans a Y140bn issue of new shares. It wants to use the proceeds to pay back loans, and for capital expenditure. Its shares yesterday ended Y10 lower at Y3,260 on Japan's over-the-counter market.

The company has filed a registration request with the finance ministry which will allow it to issue the shares any time within 12 months of registration, which takes effect on January 24 . The company will probably issue the shares soon after, it said.

In the year to March 31 1996, NTT Data expects to lift consolidated pre-tax, or recurring profit, to Y25.3bn ($240.5m), up from Y18.7bn the year before. Last year NTT Data signed a contract with the City of Beijing to provide an integrated circuit card system for government use. It has also secured orders totalling Y1bn for an online system for part of China's postal savings system. It said it had also developed an "electronic money" system for use at company headquarters and university campuses. The system features cards loaded with integrated circuits that electronically store and transfer cash.
AD-DJ, Tokyo

New Asian investment fund

Mitsubishi Corp of Japan is linking with Temasek Holdings of Singapore and Bangkok Bank to set up a Y10bn investment fund to support privatisation and business development in Asia.

Mitsubishi Corp said it would hold 40 per cent of the fund, to be registered in the Cayman Islands, with Temasek and Bangkok Bank each taking 30 per cent. The companies will set up a joint venture in Singapore to manage the fund – MC Private Equity Partners Asia – which will make equity investments, mainly in private Asian businesses, Mitsubishi said.
AFX News, Tokyo

BankWest offering closes early

BankWest, the Perth-based regional bank acquired last year by Bank of Scotland, confirmed yesterday it would close its A$437.7m share offer this afternoon because of heavy demand from investors. The offer had originally been due to close on February 9, having opened on January 8, but Mr Hugh Young, Bank of Scotland general manager, said the offer would close early because of oversubscriptions.

A 49 per cent interest in the bank is being offered to public investors by Bank of Scotland, which acquired BankWest from the Western Australian state government for A$900m (US$668.8m) last year. Bank of Scotland agreed to reduce its 100 per cent holding to 49 per cent through a stock market flotation as part of the purchase deal. Because of the offer's early closure, BankWest shares will start trading on the Australian Stock Exchange at the end of January – also earlier than anticipated.
Nikki Tait, Sydney

Berjaya lifts Australian presence

Berjaya Group of Malaysia is acquiring stakes in three Australian companies for a total A$43.6m. It will buy a 60 per cent interest in Video Ezy Unit Trust for A$9.6m, and a 50 per cent stake in Advanced Medical Technology and Gribbles Pathology Trust, for a combined A$34m.

Video Ezy, the market leader in renting videos in Australia and New Zealand, will be restructured before the acquisition is completed. A new company will act as a corporate entity, which will be the holding company of the entities that own the franchise business and rights in Australia and New Zealand. The new company will have an initial paid-up capital of A$2m, of which Berjaya will hold 60 per cent. The balance will be held by the vendor, Junstamp.

Advanced Medical Technology is an investment holding company, while Gribbles Pathology operates one of the largest pathology group in Australia through two main laboratories.
Nikki Tait

Merger talk boosts Inkel stock

Shares of Inkel, a unit of South Korea's Haitai Group, closed sharply higher yesterday on rumours that the group might merge Inkel with two other electronics units: Haitai Electronics and Now Precision. Shares of Inkel closed at Won12,000, after leaping by the daily limit of Won600, or 5.3 per cent.

"Among the three electronics makers, the one that will benefit the most from the merger is seen to be Inkel," said a Daewoo Securities analyst. He said the merger would help Inkel surmount its expected sluggish sales. It produces only audio equipment, and analysts believe domestic demand for these products will continue declining as a result of the boom in multimedia products.

Inkel has been associated with Haitai since December 1994, when the group bought an 18 per cent stake in the audio equipment maker from its founder.
AP-DJ, Seoul

Australian film group in flotation

By Nikki Tait

The Becker family is to float its privately-held film and television production and distribution company, the Becker Group, on the Australian Stock Exchange next month.

Some 25m shares, or just over 53 per cent of the enlarged equity, are being offered to investors at A$1 each, raising A$27m (US$20.1m) and capitalising the group at A$47m, at the issue price. The proceeds will be used to expand production and distribution activities.

The 30-year-old business is one of the largest independent film distributors in Australia. It also handles TV programmes, including *Baywatch*, throughout Australasia and parts of Asia.

It operates the Australasian and Asian production activities of the All American Fremantle group under licence – this involves production of four TV game shows for Asian markets, with at least six more due to start this year. It also has a Los Angeles-based film production unit.

The group hopes to take advantage of the growing interest in the Asian entertainment market.

Soros gives nod of approval to Japanese equities

By Gerard Baker in Tokyo

The Japanese stock market's strengthening recovery received the endorsement of one of the world's more prominent investors yesterday, when Mr George Soros said Japanese equities represented the best prospects for world funds in 1996.

Mr Soros, who runs the Quantum Fund, told an international investment seminar in Tokyo that a favourable combination of growing liquidity and improvements in corporate profitability had produced one of the best outlooks for Japanese equities since the prolonged decline in the stock market began six years ago.

"Japanese stocks have responded more or less to changes in liquidity. Combined with restructuring by Japanese companies and a boost from the weaker yen, this should cause a continued sharp rise in company profits."

He said he did not believe Japanese equities were too expensive, even though most basic valuations suggest they are still heavily over-valued by international standards.

The Japanese equity market is already enjoying one of its longest rallies in recent years. The Nikkei index of 225 leading stocks is now 40 per cent above its low point last July. Yesterday shares rose again, and the Nikkei closed 279.65 points higher at 20,567.07

Growing liquidity had been widely credited with the increase in equity prices long before Mr Soros' pronouncement. The Bank of Japan cut short-term interest rates to record low levels last year, and the growth of narrowly defined money supply is accelerating rapidly.

But broader money is growing much more slowly. In any case, the main influence on share prices in the past six months appears to have been international activity. Overseas investors have been heavy net purchasers of stocks while most big domestic institutions have remained cautious.

Mr Soros said the same monetary environment currently favouring Japanese equities would also further weaken the yen against the dollar.

George Soros: sees continued sharp rise in company profits *AP*

"We believe the Japanese authorities will continue to maintain a more stimulative policy than that of the US and the yen will depreciate through 1996," he said.

Mr Soros' remarks will be welcomed by Japanese authorities, anxious to see a weaker yen and stronger stock prices assist the still anaemic economic recovery. One of the most attentive participants in the seminar yesterday was Mr Eisuke Sakakibara, a senior finance ministry official who has been active in attempts to drive the yen down and stocks up in the past year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 16.01.96 / Final Prices for Trading on 15.01.96

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.01	16.01	16.73
0100	12.59	25.00	25.72
0130	18.60	30.44	31.16
0200	18.60	30.44	31.16
0230	18.60	30.44	31.16
[illegible]	[illegible]	[illegible]	[illegible]

The pool prices for 16th January 1996 were not published in yesterday's edition. We apologise for any inconvenience caused by this error.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 17.01.96 / Final Prices for Trading on 22.12.95

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	20.01	21.39
0100	15.96	30.00	31.38
[illegible]	[illegible]	[illegible]	[illegible]

AMERICAS NEWS DIGEST

Rockwell to sell printing press side

Rockwell International, the US electronics and defence company, is to sell its printing press business, which makes Goss and Baker Perkins presses for the newspaper industry. Rockwell said it expected a price above net asset value of slightly more than $500m. The business had sales last year of $700m, and made operating profits of $66m.

Rockwell says the division is the world's biggest supplier of newspaper presses. It has operations in the UK, France and Japan, and has a joint venture in Shanghai. It said it would focus its resources on its core businesses of electronics, car components and aerospace. The graphics division contributed 5 per cent of group sales last year and 4 per cent of operating profit.

The business suffered from the severe recession in the US newspaper industry in the early 1990s, with profits dropping from $119m in 1991 to a low of $15m in 1993. Last year Rockwell brought a US anti-dumping suit against its two chief competitors, Mitsubishi Heavy of Japan and Man Roland of Germany, after losing a large order from the Washington Post to Mitsubishi. The case continues.

Rockwell also reported a rise of 25 per cent in first-quarter earnings, to 90 cents per share, on revenues also up 25 per cent to $3.06bn (excluding graphics). This was helped by more than doubled sales of $286m in semiconductor systems, chiefly Rockwell's high-speed V.34 modem, which is used for gaining access to the Internet. The addition of Reliance Electric, acquired last year in a contested $1.6bn bid, had added $0.01 to earnings per share in the quarter after finance costs and amortisation of goodwill. *Tony Jackson, New York*

Cargill posts sharp rise

Cargill, the privately-held international commodities marketing and financial services firm with headquarters in Minnesota, said that growing global demand for food helped boost profits 57 per cent in the first half of fiscal 1995-96, to $506m. Sales for the six months ended in November were $27bn. Mr Robert Lumpkins, vice-chairman, said worldwide demand for agricultural products has been strong, but that agricultural production, particularly in the US, has lagged behind demand, and world grain supplies were at their lowest since the 1960s.

As a result, earnings in the second half are expected to slow, and be more in line with the company's traditional performance. Cargill earned $671m in the full fiscal year 1994-95, on sales of $51bn. *Laurie Morse, Chicago*

Alcan Aluminium slips

Alcan Aluminium's fourth-quarter results in 1995 were severely hit by production losses and reopening costs following a strike at three of its Quebec smelters. The Canadian producer estimates the strike lowered net profit by about US$70m. Fourth-quarter net profit was $46m, or 17 cents a share, against $48m, or 19 cents, a year earlier on revenues of $2.18bn, against $2.23bn.

For 1995, Alcan posted net profit of $263m, or $1.06 a share, including a $280m write-down ($1.24 a share) of its Kemano hydro electric project in northern British Columbia. In 1994, net profit was $96m, or 34 cents. Revenues in 1995 were $9.3bn against $8.2bn in 1994. Excluding the charge, 1995 earnings would have been $543m, or $2.30. *Robert Gibbens, Montreal*

Heathrow hotel buy for ITT

ITT, the US hotel and casino group that recently emerged from a break-up of the ITT conglomerate, yesterday said it had bought the Sheraton Skyline Hotel at London's Heathrow airport and won the right to operate the only private casino in Athens, Greece. It also announced the acquisition of the Sheraton Cancun Resort & Towers in Cancun, Mexico, which it bought from Grupo ICA, the Mexican construction company, and said it had been chosen by the Los Angeles-based Colony Capital to manage the Ritz-Carlton Mauna Lani resort – now to be re-named the Royal Orchid Mauna Lani – on Hawaii island. *Richard Tomkins, New York*

Honeywell advances 22%

Honeywell, the Minneapolis-based controls manufacturer, raised earnings by 22 per cent in the final quarter and for the year as a whole. Full-year earnings were $334m on sales up 11 per cent at $6.7bn. The fastest growth in profits came in aviation and space controls, where recovery continued after a previous sharp downturn. Operating profits for the year were up 58 per cent at $128m, on sales up 7 per cent.

Mr Michael Bonsignore, chairman, said international sales had grown by 19 per cent in the year, compared to domestic growth of 7 per cent. *Tony Jackson*

Isetan returns to attack

Isetan, the Japanese retailer embroiled in a row with the bankrupt New York store chain Barney's, returned to the attack yesterday with a rebuttal of alleged misstatements by Barney's in the US press. Isetan said Barney's claim for the return of $50m withdrawn by Isetan from the two companies' joint business was "totally unreasonable". It said the money was rent on three large stores owned by Isetan and operated by Barney's. It also described as "totally without any basis in fact" Barney's claims, as reported in the US press, that Isetan had agreed to hand over the real estate for the stores to Barney's in return for an equity stake of up to 49 per cent. *Tony Jackson*

Boeing, McDonnell Douglas merger talks hit snag

By Bernard Gray, Defence Correspondent

Talks between Boeing and McDonnell Douglas about a possible merger are understood to have broken down over disagreement on the valuation of McDonnell's business and the role which its senior executives might play in any combined group. Neither company would comment yesterday.

The proposed merger, which was viewed by Wall Street as a *de facto* agreed takeover of McDonnell by Boeing, would have created the world's largest aerospace and defence company, with a turnover of $35bn.

However, Boeing was thought to have been unwilling to pay a significant premium to McDonnell's market capitalisation of $10bn, while McDonnell was thought to be looking for a price of between $12bn and $13bn.

Wall Street analysts said yesterday that while McDonnell had several strong fighter aircraft programmes running, its longer-term outlook was less favourable. This was likely to limit the price Boeing would be prepared to pay for the business. The cost of rationalising McDonnell's ailing civil aircraft operations was also thought to be substantial.

In addition, Mr Harry Stonecipher, McDonnell Douglas chief executive, who joined the company a year ago, is thought to have been unhappy about the role he was offered in any merged company.

However, rumours that possible anti-trust problems in the US would thwart a merger are not thought to have derailed the talks. Analysts yesterday said that in the long run McDonnell could not sustain a presence in commercial aircraft, and this was likely to be accepted by Federal officials examining any merger.

The consolidation of the defence industry, with the help of the Pentagon, was also thought to have favoured a merger between the two companies, which would have created an aircraft manufacturer able to compete with Lockheed Martin, which bought Loral last week to create a company with a turnover of $30bn.

Senior European aerospace executives were surprised that the talks had broken down. "This makes so much sense for the US that I believe that they will have to come together sooner or later," said one yesterday. He said the failed talks did not remove the imperative from European aerospace companies to rationalise to meet the challenge from the rapidly consolidating US industry.

Analysts in London agreed that an eventual merger of Boeing and McDonnell remained a possibility, but that in the meantime both companies might acquire smaller defence businesses.

A merger between the two companies would have brought together complementary operations. Boeing is strong in civil aircraft and would eliminate a weak third competitor by taking over McDonnell's civil business.

In defence, Boeing has long had ambitions to expand its operations, and has a good position in next-generation military aircraft with half of the $42bn V-22 tilt-rotor programme and a third of the $71bn F-22 stealth fighter.

McDonnell has a strong niche in current fighters and a good export market with the F-15 air superiority fighter, the F/A-18 Navy fighter, the AV-8B Harrier for the Marines and the T-45 advanced trainer.

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US banks boast of meeting performance targets

By Richard Waters in New York

US BANKS

	Full year: Net income ($m) 1995	Full year: Net income ($m) 1994	Full year: EPS ($) 1995	Full year: EPS ($) 1994	Fourth quarter: Net income ($m) 1995	Fourth quarter: Net income ($m) 1994	Fourth quarter: EPS ($) 1995	Fourth quarter: EPS ($) 1994
Citicorp	3,464	3,366	6.48	6.29	905	1,042	1.72	1.94
NationsBank	1,950	1,690	7.04	6.06	510	405	1.85	1.46
Chemical	1,805	1,294	6.47	4.54	490	179	1.81	0.61
Chase Manhattan	1,165	1,205	5.72	5.84	340	229	1.69	1.10
First Chicago	1,150	1,221	3.41	3.58	126	315	0.37	0.93
BancOne	1,278	1,005	3.20	2.42	337	84	0.85	0.15
Bank of New York	914	749	4.30	3.70	241	201	1.12	1.00
First Interstate	885	734	11.02	8.71	215	211	2.68	2.65
Wells Fargo	1,032	841	20.37	4.78	306	215	6.29	3.96

Mr William Siart, chairman of First Interstate, yesterday expressed a boast which is being heard increasingly often in the upper echelons of the US banking industry.

Announcing 1995 results at the embattled Californian bank, which is currently the subject of two rival bids, he said: "We promised exemplary credit quality, cost containment, judicious capital management and revenue growth. We delivered."

The latest earnings figures from a number of the biggest US commercial banks, released yesterday, told a similar story. Despite decreasing loan growth against the background of a slowing US economy, the country's banks remain at what is likely to prove the peak of their earnings cycle.

A gradual erosion in lending margins, notable in recent quarters, appeared to have levelled off. That was aided at a number of banks by a reduction in securities holdings, a shift which left them with a greater proportion of higher-yielding loans on their balance sheets.

There were some signs that bad debts were beginning to rise against the background of last year's rapid expansion of credit card lending, echoing a deterioration in credit quality reported at some non-bank institutions recently. However, overall credit quality measures remained strong.

Most banks also managed to hold down, or even cut, their operating costs – due in part to a reduction in their deposit insurance premiums. After failing for several years to make much headway on costs, last year's wave of bank takeovers appeared to prompt a number of institutions to take a more aggressive approach to expense reduction.

The latest quarter's figures are flattered by comparison with the final three months of 1994, when earnings generally were weak. They reflect more modest improvements over the third quarter of 1995, reflecting the slowdown in lending growth.

Mr Siart, whose posturing no doubt owes much to his attempts to fend off a hostile bid from Wells Fargo, was joined by Mr Walter Shipley, chairman of Chemical, and Mr Thomas Labreacque, chairman of Chase Manhattan, whose banks expect to complete a merger soon. Both boasted that they had met performance targets with a return on capital, respectively, of 16.6 per cent and 16.5 per cent respectively in the latest quarter.

Both banks' earnings surpassed even the most optimistic Wall Street forecasts.

Chemical Banking's results were boosted by a rise in trading income and fees from corporate finance and loan syndications, which helped lift non-interest income in the quarter by 18 per cent to $958m.

Excluding a $260m restructuring charge a year ago, Chemical's non-interest expenses were reduced by 6 per cent, mainly due to one-off factors.

Chase Manhattan, meanwhile, registered a 13 per cent fall in operating costs, due to one-off charges the year before and a 5 per cent fall in underlying expenses. While net income revenue remained largely unchanged, other sources of revenue climbed 12 per cent in the quarter, to $551m, with income from investment banking and trust operations leading the way.

Another bank to surpass expectations was Wells Fargo, whose earnings were boosted by a $163m profit from the sale of a fund management business to Barclays. The San Francisco-based bank lifted its net interest margin to 6.08 per cent, from 5.53 per cent the year before, due a shift in the mix of its interest-earning assets.

Like others, Wells' latest earnings registered the effects of a sharp rise in credit card lending, which was up 28 per cent from a year before. Bad debt write-offs stemming from the credit card portfolio rose to $66m in the quarter, from $28m a year before.

First Interstate, whose shareholders are expected to vote within the next two months on whether to accept a bid from Wells or rival First Bank System, also raised its net interest margin, to 5.43 per cent from 5.14 per cent.

Among other banks involved in mergers, First Chicago and NBD released their first results since combining last month. The figures were weighed down by a $225m restructuring charge related to the merger.

The bank raised its provision for credit losses to $210m in the final three months of the year, up from $96m a year before, due largely to the sharp rise in credit card portfolio.

Dell Computer shares continue slide after profit warning

By Louise Kehoe in San Francisco

Shares of Dell Computer continued to slide yesterday after dropping more than 24 per cent in the previous two sessions. The personal computer manufacturer became the focus of investor fears of a PC market slowdown after it issued a warning of lower profit margins in the current quarter.

Dell was trading at $23¾ in mid-session yesterday, down 6 per cent from Monday's close and down 29 per cent since last Thursday.

Dell said it expected profit margins for the fourth quarter, which ends January 28, to tighten due to a shift towards orders from small businesses and individuals, rather than large buyers. The company said its government sales had also been slow because of the Federal budget crisis.

The market reaction to Dell's warning of lower-than-expected earnings was exacerbated by general nervousness about the high technology sector. In particular, analysts were concerned results from Intel, the world's largest semiconductor manufacturer, due after the market close yesterday, might not live up to expectations.

Microsoft buys Internet software group

Microsoft, the world's largest software company, moved to expand its role in the market for Internet software yesterday with the acquisition of Vermeer Technologies, an Internet publishing program developer, writes Louise Kehoe.

The acquisition reflects Microsoft's determination to catch up with smaller rivals in the rapid growth of the Internet. The company recently announced plans to incorporate Internet features in several of its existing products.

Financial terms of the acquisition were not disclosed, although industry reports suggested a price of about $130m for Vermeer, a privately-owned company which is based in Cambridge, Massachusetts.

Microsoft is expected to incorporate Vermeer's FrontPage program, which enables users to create material for publication on the World Wide Web, into its Microsoft Office suite of business applications. Microsoft Office commands a more than 90 per cent share of the US market for business application suites.

FrontPage could quickly become the standard program for authoring World Wide Web pages, industry analysts said. The Vermeer program enables publishers to automatically create "links" in text prepared for Web pages.

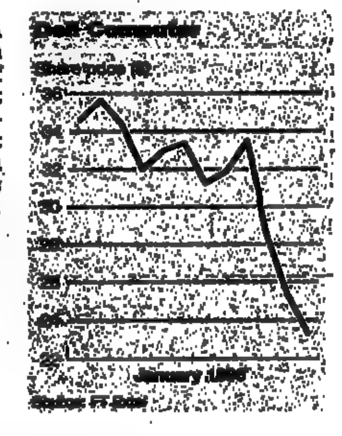
● Amid a broad decline in technology stocks, Corel, the Ottowa-based developer of graphics software, was also hit hard in the wake of an unexpected fourth-quarter loss. It blamed the loss on slower than expected sales of Microsoft's Windows 95 operating system to corporate customers, writes Bernard Simon in Toronto.

The loss for the three months to November 30 was US$1m, or two cents a share, compared with $11.2m, or 21 cents, a year earlier. Sales climbed 27 per cent to $82.1m.

However, Mr Michael Cowpland, chairman, expressed confidence that "the business fundamentals remain very sound".

He forecast a rise of between 25 per cent and 30 per cent in net earnings in the current financial year. Earnings for the year to November 30 fell from $32.5m, or 63 cents a share, to $14.5m, or 26 cents.

Sales grew 20 per cent to $196.4m.



Crédit Agricole in Argentine buy

By David Pilling in Buenos Aires and Andrew Jack in Paris

Caisse Nationale de Crédit Agricole, the French co-operative bank, has made its first foray into the Argentine banking system with the purchase of 20 per cent of Banco Bisel, a regional agricultural-based bank.

The acquisition, for a reported $24m, is the latest in a flurry of activity that has seen the rapid reorganisation of Argentina's banking system, prompted by the flight abroad of $8bn after Mexico's 1994 devaluation.

Banco Bisel, formed last May from the fusion of seven struggling co-operative banks, is Argentina's 18th largest private institution, with assets of $755m and 168 branches in 10 provinces.

For Crédit Agricole, the purchase follows the recent increase of its interest in Ambroveneto, an Italian bank.

Bisel hopes Crédit Agricole will bring expertise in lending to small businesses and regional economies – a risky business in Argentina, where economic power is tending to focus on centralised conglomerates.

Separately, Banco de Desarrollo de Chile, of which Crédit Agricole owns a fifth, plans to buy a further 10 per cent of Bisel in the next two months.

The concentration of Argentina's banking system, by weeding out the weakest institutions, appears to be restoring public confidence. Total deposits in the system of $45bn are virtually at pre-Mexican devaluation levels, while private economists predict that deposits could reach $50bn by year-end.

Travelers posts record income

By Maggie Urry in New York

Record earnings at Travelers Group, the US financial services company, for the fourth quarter and the full year were spurred by gains from the Smith Barney investment banking subsidiary. Results were also buoyed by investment portfolio gains and profits on sales of businesses.

Net income for the fourth quarter, including one-off gains of $165m, was $607m, up from $334m a year earlier. Earnings per share rose from 99 cents to $1.84, including 52 cents for the non-recurring gains. For the year, net income climbed from $1.33bn to $1.84bn, with gains up from a net $4.6m to $202m. Earnings per share rose from $3.86 to $5.51, including non-recurring gains, which increased from 1 cent to 63 cents.

Mr Sanford Weill, chairman and chief executive, said he was optimistic about the outlook for 1996, and noted the bulk of earnings came from reliable and recurring sources.

The group is acquiring the property/casualty insurance business of Aetna Life & Casualty in a $4bn deal. It has been reorganising its portfolio with sales of its healthcare and asset management activities. A further gain is expected when the sale of Travelers' stake in RCM Management to Dresdner Bank of Germany is completed in mid-1996.

Smith Barney's operating earnings rose from $72.2m to $187m in the fourth quarter, and from $368m to $600m in the year. Last week, Mr Robert Greenhill resigned as chairman and chief executive of Smith Barney. Mr Weill said Smith Barney's results reflected "more than robust financial markets". He said the firm had gained market share in underwritings and had improved operating efficiency. The return on equity at the broker of 30.1 per cent for the final quarter and 24.7 per cent for the year, was "among the highest in the securities industry".

● Charles Schwab, the retail discount broker which recently acquired Sharelink Investment Services in the UK, reported record net income for 1995 due to high levels of trading and a sharp rise in assets placed in Schwab's money market funds. Net income for the year rose from $135m to $173m, or from 77 cents to 97 cents a share.

The fourth quarter was affected by investments in new technology and services, but net income rose from $33.8m to $42.6m, or 19 cents to 24 cents a share.

Agent Bank

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S&N to shed 1,600 jobs in integration

By Roderick Oram, Consumer Industries Editor

Brian Stewart: "This is the last piece to fall into place"

Scottish & Newcastle, the largest UK brewer, is to close breweries in Halifax and Nottingham, 13 distribution sites and other facilities, shedding some 1,600 jobs as part of its integration of Courage, the brewer it bought for £443m in August.

"This is the last piece to fall into place and the integration is going very well," Mr Brian Stewart, S&N's chief executive, said.

The company is on track for annual cost savings from the merger of about £75m for a year-end rationalisation charge of about £80m, as forecast at its interim results in December.

Moreover, S&N had slightly increased its beer market share despite the effort involved in melding S&N and Courage, he added.

In contrast, analysts noted, Carlsberg-Tetley lost crucial points of market share several years ago during the merger of the brewing interests of Carlsberg and Allied Domecq. The two companies blamed the setback on regulatory delays which S&N has not suffered with Courage.

The closure of the two breweries, with the loss of about 200 jobs each, was attacked by local MPs, Mr Ian McCartney, shadow Employment Minister, and the Campaign for Real Ale. The Nottingham brewery is in the constituency of Mr Kenneth Clarke, the beer-loving Chancellor.

Neither brewery is expected to attract an investor willing to continue production, so the land will be sold for redevelopment.

The Halifax brewery, founded in 1838 and famous for Webster's Yorkshire bitter, has a capacity of about 1m barrels a year. The capacity of the Nottingham brewery, established in 1875 and known for its Home ales is about half-a-million barrels. Both breweries were running at well under 50 per cent capacity.

Mansfield Brewery has agreed to produce Home ales for S&N's regional sales. Production of Webster's is likely to move to S&N's Tadcaster brewery.

Scottish Courage, as S&N's new beer division is called, will be left with seven breweries with a total capacity of about 8m barrels. They are Edinburgh, Newcastle, Tadcaster, Manchester, Masham near Ripon, Bristol and Reading. Masham is very small, but was probably reprieved because it is the home of the popular bitter Theakston's.

Scottish Courage is cutting its 41 distribution depots to 28, but is likely to build some greenfield depots which could mean further cuts.

Sales and distribution depots set to close include Stepps in Scotland, Garforth near Leeds, Gateshead, Nottingham, Preston, Aylesford, Swansea, Dunstable, Cardiff and Southampton. Distribution will cease at Merton.

S&N has also created a single business to service the off-trade and will realign central functions to support the new operating organisation. The changes will be complete within 12 months.

Pet food executives held overnight after talks with works council

French unions fight Dalgety closure

By Christopher Price in London and Andrew Jack in Paris

It was the kind of confrontation every management fears.

Executives at a pet food factory in Agen, south-west France, belonging to Dalgety, the UK pet food and animal products group, gathered the 140 employees together on Monday to tell them the business was to close.

After a day's hard negotiation with the works council, Mr Daniel Boulet, the plant's managing director, and Mr Bernard Manhaval, the personnel manager, were locked in their offices and held overnight.

They were released unharmed yesterday morning and "bravely", according to Dalgety, returned to continue talks with the workers.

Mr Boulet said: "It was tough," describing how about 40 angry employees had prevented him and his fellow executive leaving. However, he stressed the decision to close the factory was out of his hands.

Mr Michele Maza, regional representative of the Communist-backed CGT union, described the detention as: "Part of the normal game."

Employees of the plant continued to occupy the premises last night, and have demanded the appointment of a negotiator. They claim if Dalgety invested FFr20m it could make the plant profitable, while the costs of closing it down would amount to about FFr45m.

Mr Maza expressed fears about shutting down the factory at a time of high unemployment, and said that a number of politicians had expressed concern about the effect of the closure - taken by a foreign-owned company - on the region.

The closure of the plant is part of Dalgety's rationalisation of its European pet foods business. It followed the £442m purchase of Quaker's European pet food interests last year, a move which increased Dalgety's market share from 8 per cent to 21 per cent.

However, the price paid was considered a fairly high one by analysts, while the company stressed the synergies of Quaker with its Spillers business and the cost savings that could be made. The closure of Agen was the first move in the restructuring process.

Dalgety refused to comment on whether the problems at Agen would affect the rest of its restructuring programme.

In September, the grou announced that the cost c integrating the Quaker bus ness would be £60m, abo £15m more than envisag when it was purchased in F ruary.

The combined operati made pre-tax profits of £2 m on sales of £443m in the ye to June.

AT&T gains central London link

By Alan Cane

AT&T, the largest US telecommunications company, yesterday announced an interconnection agreement with City of London Telecommunications (Colt), a three year old US-owned company which, like AT&T, was awarded a full UK telecoms operator's licence in 1994.

The agreement will give AT&T access to Colt's local network in central London, while Colt will have access to AT&T's international network.

The announcement has been expected for some months. Mr David Quinn, AT&T marketing director, said: "As part of our expansion into the UK, we have been looking at a number of operators with which to form alliances. Colt is the first local operator we have selected." The deal is non-exclusive and Colt has interconnection deals with nine other carriers, including Sprint of the US and Esprit, the Europe-based carrier.

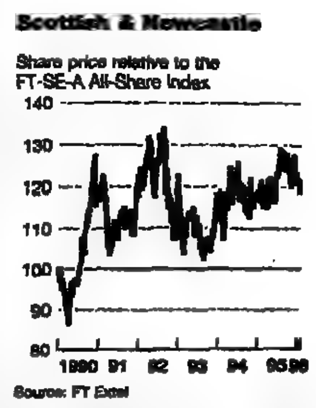
The agreement makes AT&T's position in the UK similar to that of British Telecommunications in the US. BT has a strategic and equity partnership with MCI, the second largest US long-haul carrier.

Colt has installed mo than 100km of fibre optic bling within the M25 motorw. It is developing similar fie networks in other UK cit.

AT&T plans to comte with BT for the business oultinational companies. It oes not expect to offer tl lowest prices, but will provide innovative servicepased on the intelligence bu into its network.

LEX COMMENT

Scottish & Newcastle



Scottish & Newcastle's acquisition of Courage has done all its competitors a favour by removing about 4 per cent of British brewing capacity. Over-capacity is not a universal problem in brewing, given production shortages for several premium beers. However, excess capacity has considerably depressed margins for standard ales and lagers. The closure of S&N's Nottingham and Halifax breweries is a sensible means of removing production where it is not needed. And while it is positive for S&N, which is on track to reap £75m a year cost benefits from the Courage acquisition, the closures should also be welcomed by the likes of Bass and Whitbread. The immediate outlook for brewers remains difficult. There has been significant rationalisation of pub chains and drinks wholesalers, which will be looking for better terms from their suppliers. Meanwhile, Carlsberg-Tetley is losing market share and could fight back on price.

Nonetheless, there is much more consolidation to come in UK brewing. Smaller regional brewers will be swallowed up, and more importantly, Carlsberg-Tetley is set to fall into the hands of one of its competitors.

Scottish & Newcastle is best positioned among the brewers to benefit from such change. A 1 per cent increase in net beer prices translates into a 4 per cent rise in group operating profits. Of course, a wet summer or delays in a Carlsberg-Tetley sale would postpone any up-swing. But, given recent weakness in S&N's share price, patience should be rewarded.

COMPANY NEWS: UK

The company is confident buying £336m worth of Forte shares is money well spent

Granada share raid fortifies its hand

By Scheherazade Daneshkhu and David Wighton

Granada increased its chances of winning its £3.9bn bid for Forte yesterday by acquiring 9.2 per cent of its target's shares in the stock market at a cost of £336m ($517m).

Granada, the leisure, television and catering group, said the market raid underlined its confidence in victory while Sir Rocco Forte, chairman and chief executive of the hotels group, called it "a desperate attempt to restore momentum to its misguided bid".

Most analysts agreed that Granada would not have made the move if it were not confident of winning. "It was always going to be close and this should tip the balance," said one.

Shares in Granada rose strongly to close up 23p at 693p, valuing the Forte bid at 386.8p a share excluding tax credits. Granada's stock brokers, BZW and ABN Amro Hoare Govett, were offering 384p for the Forte shares which rose 14¼p to close at an all-time high of 380½p, above Granada's cash alternative of 362p.

Under the Takeover Code, a bidder can buy up to 9.9 per cent of the target's shares at prices between the value of its cash and share offer and the full cash alternative.

Forte suggested that Granada had failed to reach its target of 9.9 per cent and claimed that 1.4 per cent had been acquired from marketmakers rather than institutions. Granada said that by stopping below the limit, it gave itself flexibility for further purchases.

Meanwhile, Whitbread, the brewing and leisure group which has agreed to buy Forte's roadside restaurants for £1.05bn if Granada's bid fails, yesterday launched a fierce attack on Granada's plans for the business.

In presentations to institutional investors, Whitbread questioned Granada's understanding of the business and cast doubt on its forecast cost savings. It claimed Granada's proposals for Forte's Little Chef restaurants would boost short-term returns at the expense of longer-term sustainable profits.

Sir Anthony Tennant, left, and John Hoerner, one of two new non executive directors at Forte

Whitbread, which has an £800m-a-year food retailing business, argued that Granada's forecast of a 5 per cent cut in purchasing costs across the group was unrealistic and could only be achieved at the expense of quality. It told institutions that Granada had underestimated the problems at Little Chef which Forte had allowed to become overpriced and understaffed. Yet Granada was predicting it could save £8m on payroll and overheads.

Granada dismissed Whitbread's allegations saying it had done "the most detailed analysis" of Forte's business over two years and understood it "better than anyone in the UK". "We are entirely confident that we can deliver the savings and more," it said.

Hotel margins come under detailed scrutiny

By Scheherazade Daneshkhu, Leisure Industries Correspondent

One of Granada's most persistent criticisms of Forte has been its hotels performance.

In its final offer document published last week, Granada showed hotel operating margins of 18.6 per cent for Forte, 22.9 per cent for Stakis and 29 per cent for Mount Charlotte, the hotels company controlled by New Zealand-based Brierley Investments.

Analysts say it is difficult to compare the performance of such diverse companies.

Mount Charlotte, for example, has almost half of its hotel rooms in the strong London market, while almost all of Stakis hotels operate in the weaker provincial market.

Moreover, Forte has a wide mix of its businesses, from the budget Travelodges, which will be sold to Whitbread if Forte survives the Granada bid, to the luxury end of the London market.

However, the bid has prompted Forte to break down sales and profits figures for its different brands.

Its mid-market Posthouse hotels are the segment most directly comparable to Stakis, the quoted hotel company which has performed strongly under new management since pulling back from the brink of collapse in 1991.

Stakis showed operating profits in its hotels division of £31.1m in the year to the end of September 1995 on turnover of £116m, implying profit margins of 26.8 per cent.

In its final defence document, Forte revealed turnover of £228m and pre-tax profits of £51m at Posthouse in the year to the end of January 1996, suggesting a profit margin of 22.5 per cent.

Analysts said that after making an adjustment for rent and central overhead costs, profit margins at Stakis were about 27.4 per cent and 28.5 per cent at Posthouse.

Mr David Michels, chief executive of Stakis called these comparative profit margin figures "fair" but pointed out "you'd expect a larger group to be slightly more efficient."

McKechnie spends $50.4m in N America

By Tim Burt

McKechnie, the plastics and metal components group, is to buy Thompson International, North America's largest wheel trim manufacturer, for $50.4m.

The Midlands-based company yesterday claimed that the deal – worth $65m including the assumption of $14.6m of Thompson's debt – would make it the world's leading supplier of wheel trims.

McKechnie is already the largest such manufacturer in Europe, while Thompson boasts Chrysler, Ford, General Motors and Toyota among its largest customers.

Shares in McKechnie rose 8p to 421p on the announcement, which followed almost a year of talks with DLO Investments, the venture capital-backed company that owns Thompson.

Mr Michael Ost, chief executive, said the acquisition would significantly expand its presence in the US market, where last year made profits of …m on sales on £77m.

Thompson, by comparison, made pre-exceptional profits of $5… on sales of $73.3m in the year to March 31.

McKechnie also plans to use Thompson's plants in South Carolina and Kentucky to manufacture plastic tube assemblies which it currently produces in Europe.

'Mad cow disease' hits Sims beef sales

By Patrick Harverson and Alison Maitland

Sims Food Group yesterday warned it was unlikely to pay a final dividend this year because the latest scare over "mad cow disease" had badly affected its beef sales.

Demand for beef fell at the end of last year following renewed media speculation that people eating beef could be infected with bovine spongiform encephalopathy (BSE), the degenerative brain condition that affects cattle and is commonly known as mad cow disease.

Sims is the first leading meat supplier to issue a profits warning because of BSE.

Mr Stephen Collier, finance director, said sales of fresh beef products before Christmas fell 10-20 per cent.

Analysts yesterday lowered forecasts for Sims' profits for the year to March 31 from £2.5m to about £800,000, against £2.82m last year, although they said BSE would only be partly to blame. An inability to pass on higher prices to customers had also cut profits.

However, there are signs that the latest BSE scare – the first was in 1988 – may be easing. The Meat and Livestock Commission yesterday said beef sales were recovering. It does not yet have firm figures but said: "The indications from retail outlets are that beef is on the way back – people are asking for it again. The recovery may be happening more quickly than we thought."

But Sims may be out of the business by the time sales recover. In November, after a sharp drop in interim profits to £150,000 ($1.2m), it announced plans to sell its fresh meat operations. Yesterday, Mr Collier said it was in talks with several possible buyers and he hoped a deal could be announced before March 31.

The shares fell 5p to 28p.

Peoples Phone postpones flotation blaming poor sales over Christmas

By Christopher Price

Peoples Phone, the mobile phone retailer, yesterday postponed its proposed £200m ($308m) flotation, blaming poor sales over Christmas.

The group said the "UK mobile phone market did not meet market expectations in the run up to Christmas and this has adversely affected market sentiment". It also blamed "highly competitive offers from other retailers".

The move was seen by analysts as a reflection in the changing fortunes in the mobile phone market, with Peoples Phone having strong ties with Vodafone which has been seen as the chief casualty in an increasingly competitive market.

In particular, competitive pricing by Orange, the newest entrant in the 5.5m-strong mobile phone market, has won a growing share of new subscribers.

Orange is expected to be floated on the London Stock Exchange in March.

Peoples Phone is both a service provider, selling air time on behalf of Vodafone and Cellnet, the two largest mobile phone groups, and retailer with a chain of 175 showrooms. Both Orange and Mercury One-2-One, the fourth operator, sell directly to customers, by-passing the service providers.

Vodafone said yesterday it was unaware of poor sales at Peoples Phone, arguing that 1995 had been Vodafone's best year for sales.

Orange attracted 50,000 subscribers to its digital network in December, well ahead of analysts' expectations. The company claims a total of 380,000 digital subscribers, only 20,000 behind Vodafone.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alexanders	Yr to Sept 30	113.4	(110.9)	0.221♥	(0.839)	0.81	(2.29)	0.2	Apr 10	0.7	[illegible]	1
Debenhams Towers	6 mths to Oct 31	27.8	(28.1)	0.937	(1.79)	[illegible]	(2.85)	0.6	Feb 20	1.5	-	3.8
Farepak	6 mths to Oct 31	16.8	(9.04)	0.364L	(1.13L)	-	(-)	2.45	Feb 19	2.15	-	7.7
Gresham Computing	Yr to Oct 31	7.9	(6.51)	1.28	(0.71)	2.38	(1.32)	0.38	May 2	0.3	0.38	0.3
Microgen	Yr to Oct 31	69	(58.8)	8.38	(5.17)	14.6	(10)	5.2	Apr 9	5.05	7.5	7.25
Quality Care Homes	Yr to Oct 31	17	(12.5)	4.81	(3.73)	27.45	(20.43)	3.3	Mar 11	3	[illegible]	4.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit.

COMMODITIES AND AGRICULTURE

US forecasts still tighter world feedgrain market

By Laurie Morse in Chicago

The US Department of Agriculture yesterday raised its estimate of demand for US maize and reduced of last year's US soyabean harvest estimate, further tightening its forecast for world feedgrains supplies in general. Coarse grain prices have for months been near 15-year highs based on projections that last season's harvest is barely large enough to meet world demand.

The USDA report said US maize exports and domestic demand would increase from previous projections, leaving just 507m bushels of the grain in surplus at the end of the crop year. That is down sharply from last month's projection of 617m bushels and far too low to keep what traders call the grain merchandising "pipeline" primed.

Analysts said that in order to ration stocks at viable levels, maize futures in Chicago will have to rise to between $3.90 to $4.10 a bushel, which would be expected to dampen animal feeding demand.

For soyabeans, a high-protein animal feed, the USDA reduced its crop estimate, dropping this spring's ending stock estimate to 190m bushels from last month's 215m.

Despite what traders described as a "market-friendly" set of statistics, grain futures prices at the Chicago Board of Trade tumbled. "The report was obviously favourable for corn [maize] and soyabean prices," said Mr Dick Smetana, research director for the analysis firm AgResources. "However, the market seems to be putting aside the US situation and focusing more on what's happening in Latin America, where the next harvest will be."

Mr Smetana said weather in Brazil and Argentina appears to be promising a more normal crop than thought just a month ago. In mid-afternoon trading, maize for March delivery was down 8 cents at $3.57 a bushel and March soyabeans were 7 cents lower at $7.37½.

In a separate report Tuesday, the USDA said US farmers had planted 52m acres to winter wheat last autumn, a 7 per cent increase over last year and the largest acreage since 1990.

Zambian copper rescue talks begin

By Kenneth Gooding, Mining Correspondent

Anglo American Corporation of South Africa is stepping up its initiatives to save Zambia's copper industry. Anglo started talks yesterday in London with Zambian government officials after reached an understanding that it should lead a consortium to develop the Konkola Deep project, expected to cost about US$600m.

This scheme was rejected by the government two years ago because it would relegate Zambia Consolidated Copper Mines, the state-controlled group that owns Konkola, to a minority role. ZCCM instead called in Nikko Securities, the Japanese financial services group, to raise money for the project, urgently needed because ZCCM's other mines are nearing exhaustion.

Analysts suggest that potential investors were put off by ZCCM's existing US$640m of debt. Since ZCCM was nationalised its copper output has dropped from a peak of 700,000 tonnes in 1969 to only about 300,000 tonnes last year.

"With falling output and copper prices this year widely expected to fall, the government could see a danger that, just as elections were taking place, ZCCM might be going bust," said Mr Michael Coulson, analyst at Nedcor Securities, part of the South African banking group. "But the fact that Konkola will be a year late in getting under way is not necessarily disastrous for ZCCM. If other companies can be encouraged to put money in, the other ZCCM mines could be operated more effectively and could temporarily make up the fall in output from Nchanga [ZCCM's most important mine]."

Anglo has a vested interest in ensuring ZCCM survives because its Zambia Copper Investments subsidiary owns 27.3 per cent of the copper producer. A bigger stake in a revived ZCCM would also fit well with Anglo's aim to move from being the world's fifth largest copper producer to one of the top three positions.

Anglo already has indicated that another South African mining group, Gencor, is likely to join the Konkola consortium and a government official said the Industrial Finance Corporation, a World Bank offshoot, would also be involved. Mr Jim Steel, analyst at Ord Minnett, the stockbroking affiliate of Jardine Matheson, suggests that "other members of the consortium are likely to be those owed money by ZCCM such as Mitsui, Mitsubishi and the Commonwealth Development Corporation".

The Konkola talks this week, in which the Zambian government is being advised by the N M Rothschild merchant bank, are expected to focus on the tax regime, joint venture terms (there are suggestions that Anglo wants to swap ZCI's 27 per cent stake as part of its contribution), protocol and ZCCM's asset contribution.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+14,375	to 616,675
Aluminium alloy	+400	to 63,460
Copper	+7,250	to 337,925
Lead	-3,200	to 122,600
Nickel	-384	to 42,090
Zinc	+3,975	to 661,650
Tin	+140	to 11,575

Analyst predict volatile year for metals

The activities of hedge and commodity funds may add spice, writes Kenneth Gooding

Metals prices are expected to be more volatile than ever this year because of the activities of the US hedge and commodity funds. Only a few days of the new year have passed but the influence of the funds in the metals markets is already clear to see.

On the London Metal Exchange base metals prices have been under downward pressure as the funds have sold short – sold metal they did not own in the expectation that prices would fall so that they could buy at the lower level and pocket the difference. In the gold market the funds used options trading in an unsuccessful attempt to drive the price conclusively up through the US$400 a troy ounce barrier.

"There was a synchronised slowing down of economic activity in the base metal-consuming areas for the first time in three years in the first quarter of 1995," Mr Wiktor Bielski, analyst at Bain & Company, the Deutsche Bank subsidiary, points out. "So prices started about 20 per cent below the levels the bulls hoped they would be at.

"Then the funds piled in, saying to themselves: We are going to short the markets and no one will stand in our way. They were right. No one did stand in their way."

Mr Philip Crowson, chief economist at RTZ Corporation, the world's biggest mining company, says the funds could pose a big threat to base metals producers in 1996.

"Their activities could be damaging for one or two metals [by driving down prices to excessively low levels]. Funds don't care whether prices go up or down. They just want volatility."

The presence of the funds is another reminder that today metals markets are no longer swayed just by supply and demand and stock statistics. Sentiment is playing an increasing part. "Changes in sentiment can have a huge impact on these small markets," says Mr Dan Roling, a first vice president at the Merrill Lynch financial services group. This is just one factor that makes metal markets much more complex. According to Mr Roling: "Commodity markets are no longer controlled by producers and consumers but by financial organisations as well".

Both Mr Bielski and Mr Roling are among the base metals bulls. Mr Bielski is confident that the depressing impact of the investment funds on prices will "wash through by the second half of this year". Mr Roling says Merrill Lynch remains very optimistic about global economic activity – on which metal usage depends heavily – remaining healthy. Europe should see a "soft landing" even if activity is easing, the US is expected to remain buoyant and Japan "is picking up nicely".

Mr Crowson at RTZ suggests, however, that global economic prospects are not as bright as they seemed three months ago. Even growth among the "Asian tigers" is slowing.

He also insists that sentiment among share traders on Wall Street will be a key factor in the fate of LME metals prices this year. "Sentiment on Wall Street influences both consumption – through house-building and motors – and capital spending – the big driver of metals demand." Mr Crowson points out that, despite tremendous economic growth in Asia, the US still accounts for one fifth to one quarter of world metals consumption "and it is the region that *drives*, rather than simply influences, prices".

Mr Crowson predicts that demand for metals will rise in 1996 and supply will rise to meet demand. Prices are likely to be in line with production costs. "In the main, prices will slip sideways or move up a bit. Except for copper, which will go down."

Only two of the 14 analysts volunteering to take part in the Financial Times's annual survey of metals price forecasts disagree with Mr Crowson's assertion that copper's average price this year will be lower than in 1995. Mr Roling says that, only if global economic activity turns out to be much weaker than Merrill Lynch is predicting, would he expect his copper forecast to be on the high side. "The copper market is in balance and we are more likely to see interruptions to supply rather than over-supply this year."

In contrast, Ms Karen Norton and Mr Angus MacMillan, analysts at Billiton Metals, a Gencor subsidiary, who are much more bearish about copper, say that, while prices might indeed spike in the first quarter, "in all probability this would prove to be a short-lived affair and the cash price would no doubt slump soon thereafter. The only certainty is that [copper] production will continue its seemingly inexorable rise while demand is expected to undergo a period of somewhat slower growth". Nevertheless, Billiton's forecast that copper prices should average about 105 cents a pound ($2,314 a tonne) this year will not not leave many producers heartbroken.

There is a big split of opinion about aluminium prices. Just over one third of the analysts contributing to the survey suggest the average price this year will be lower than in 1995. This split is caused by differing views not only about future economic activity but also about just how quickly some of the big aluminium producers will re-start capacity they shut down during the severe slump in prices caused by the sudden surge in exports from Russia.

On the other hand, nickel prices this year are almost universally expected to be above the 1995 level. Stainless steel is the biggest consumer of nickel and there is a great deal of new stainless production capacity about to come into operation. But no new nickel capacity can be expected for at least two years.

"The guys who will get squeezed as a result of this will not be the nickel producers but the stainless producers," suggests Mr Ray Goldie, analyst at Richardson Greenshields, the Canadian stockbroker.

All the analysts surveyed expect LME tin and zinc prices this year to be above the average for 1995.

And, while no one is super-bullish about gold's prospects this year, seven out of the 12 analysts who made a forecast expected this year's price to average $400 an ounce or more.

Mr Nick Moore, analyst at Ord Minnett, the stockbroking affiliate of Jardine Fleming, reflects the general mood by saying: "We at Ord Minnett have always held that this cycle would be boom, bust, re-adjust for metals, not boom, bust, boom. By the middle of 1996 the present re-adjust phase should be completed, setting the scene for markedly better [base metals] prices in 1997". He adds: "Precious metals have established firm price bases for the forecast gains ahead".

ANALYSTS' FORECASTS FOR AVERAGE PRICES IN 1996
(US cents a pound for base metals, US dollars a troy ounce for precious metals)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver
Bain & Company	95	135	38	500	340	55	395	425	5.75
Billiton Metals	75	105	34	400	300	50	n/a	n/a	n/a
James Capel	78	110	29	380	310	40	400	440	6.00
Economist Intelligence Unit	86.8	115	32	370	341	52	n/a	n/a	n/a
First Marathon Securities	76	110	35	450	n/a	45	410	n/a	5.50
GNI	88	109	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hambros Equities	82	124	35	425	335	51	398	435	5.25
T. Hoare & Company	77.5	120	31	500	300	50	410	425	5.50
Macquarie Bank	85	110	34.5	405	302.5	50	n/a	n/a	n/a
Merrill Lynch	100	135	35	425	285	50	385	n/a	5.50
Metal Bulletin Research	86	108	36	400	310	49	n/a	n/a	n/a
Ord Minnett	85	110	38	425	350	50	405	450	6.25
RBC Dominion Securities	85	120	30	425	300	55	400	430	5.50
Richardson Greenshields	97.5	145	30	575	n/a	52.5	395	n/a	5.41
SBC Warburg	95	110	33	435	335	52.5	410	425	5.95
David Williamson Associates	78	115	33	375	300	47	420	410	5.50
Rudolf Wolff	84	113.4	30.6	408	295	52	375	n/a	5.80
1995 Actual average	81.9	133.1	28.6	374	282	46.8	384.1	424.1	5.20
1994 Actual average	67	104.7	24.9	288	248	45.3	384	405	5.28

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1583.5-4.5	1583-3.5
Previous	1605-6	1597-8
High/low		1605/1576
AM Official	1585-6	1584-5
Kerb close		1594-95
Open int.	230,559	
Total daily turnover	63,765	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1390-1400	1430-35
Previous	1400-10	1440-45
High/low		1440/1430
AM Official	1395-1405	1435-40
Kerb close		1435-40
Open int.	6,058	
Total daily turnover	1,926	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	701-02	696-96
Previous	690-91	687-7.5
High/low	701/692	701/681
AM Official	692.5-93	686-87
Kerb close		699-700
Open int.	31,920	
Total daily turnover	12,113	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7525-35	7635-40
Previous	7475-80	7585-90
High/low	7550/7500	7650/7580
AM Official	7500-05	7605-10
Kerb close		7650-55
Open int.	41,351	
Total daily turnover	13,189	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6225-35	6260-70
Previous	6250-55	6280-90
High/low	6205/6200	6290/6230
AM Offical	6200-01	6235-40
Kerb close		6270-80
Open int.	15,021	
Total daily turnover	5,570	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1014-15	1036-37
Previous	1011-12	1033.5-34.5
High/low		1040/1030
AM Official	1011-12	1033-33.5
Kerb close		1038-40
Open int.	75,714	
Total daily turnover	14,116	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2534-39	2446-47
Previous	2583-85	2481-82
High/low	2558/2550	2464/2442
AM Official	2553-54	2454-55
Kerb close		2463-64
Open int.	171,487	
Total daily turnover	105,415	

■ LME AM Official £/$ rate: 1.5415
LME Closing £/$ rate: 1.5383

Spot: 1.5376 3 mths: 1.5346 6 mths: 1.5313 9 mths: 1.5278

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	114.00	+0.80	115.10	114.00	288	2,438
Feb	114.05	+1.10	114.50	113.20	56	1,329
Mar	112.55	+0.90	112.95	111.00	5,978	26,636
Apr	111.35	+0.70	111.70	110.65	56	873
May	110.15	+0.50	110.50	109.40	527	5,104
Jun	109.45	+0.35	110.00	109.00	35	701
Total					7,583	47,771

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	397.10-397.50		
Opening	397.60-398.00		
Morning fix	397.80	257.977	466.023
Afternoon fix	397.60	258.165	465.908
Day's High	398.00-398.40		
Day's Low	396.70-397.10		
Previous close	394.80-395.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.30	6 months	2.27
2 months	2.29	12 months	2.25
3 months	2.30		

Silver Fix	p/troy oz.	US cts equiv.
Spot	353.90	545.75
3 months	358.95	552.35
6 months	363.80	558.70
1 year	373.80	571.20

Gold Coins	$ price	£ equiv.
Krugerrand	396-399	257-259
Maple Leaf	408.90-411.45	
New Sovereign	93-96	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	396.5	+2.8	-	-	8	-
Feb	398.8	+2.7	398.9	396.3	32,344	95,890
Apr	400.6	+2.9	400.8	398.0	4,089	26,171
Jun	402.4	+3.0	402.8	399.5	1,380	28,882
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	122.35	-0.05	122.75	122.25	33	131
Mar	123.15	-0.75	123.75	123.15	146	2,546
May	125.15	-0.75	125.75	125.15	216	3,363
Jul	127.30	-0.60	127.75	127.30	[illegible]	454
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	1541	1543

Futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	908	+14	908	901	2,696	32,207
May	929	+13	930	924	1,531	15,913
Jul	940	+13	950	943	981	8,242
Sep	969	+14	968	963	776	32,182
Dec	[illegible]	+14	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Jan 15	Price	Prev. day
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Jan 15	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

Minor Metals
[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 16	Jan 15	month ago	year ago
2097.3	2101.2	2114.4	2243.7

■ CRB Futures (Base: 1967=100)

Jan 15	Jan 12	month ago	year ago
239.95	243.18	[illegible]	[illegible]

■ GSCI Spot (Base: 1970=100)

Jan 15	Jan 12	month ago	year ago
187.11	190.13	195.71	173.92

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	65.675	-0.450	66.325	65.550	5,675	26,916
Apr	65.975	-0.550	66.475	65.500	2,046	19,415
Jun	62.050	-0.350	62.525	62.000	815	12,070
Aug	61.200	-0.275	61.575	61.200	207	5,146
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	51.325	+0.025	51.500	51.275	179	3,094
Aug	50.500	+0.050	50.600	50.350	295	3,223
Oct	46.650	+0.050	46.800	46.600	88	1,335
Total					4,014	36,035

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	53.625	+0.375	53.900	53.100	1,124	3,524
Mar	54.125	+0.350	54.300	53.550	430	1,277
May	55.175	+0.475	55.275	54.550	123	814
Jul	55.850	+0.150	55.950	55.350	93	786
Aug	53.700	+0.400	53.650	53.450	14	195
Total					1,784	9,698

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	81	110	4	17
1600	17	60	40	65
1700	1	17	124	120
■ COPPER (Grade A) LME	**Feb**	**Apr**	**Feb**	**Apr**
2400	134	116	8	54
2500	61	66	35	102
2600	20	34	93	166
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1500	283	30	-	107
1550	238	25	-	134
1600	196	21	-	166
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
850	59	87	-	-
875	39	69	-	-
900	23	51	-	-
■ BRENT CRUDE IPE	**Mar**	**Apr**	**Mar**	**Apr**
1650	-	-	17	42
1700	45	-	33	-
1750	31	29	60	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$16.42-6.49w	+0.305
Brent Blend (dated)	$17.73-7.77	+0.24
Brent Blend (Mar)	$17.18-7.20	+0.23
W.T.I.	$18.23-8.25w	+0.20

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$169-171	-3
Gas Oil	$161-162	+2
Heavy Fuel Oil	$101-103	-2
Naphtha	$170-172	
Jet fuel	$185-187	+0.5
Diesel	$166-168	+1.5

Petroleum Argus. Tel. London (0171) 359 8792

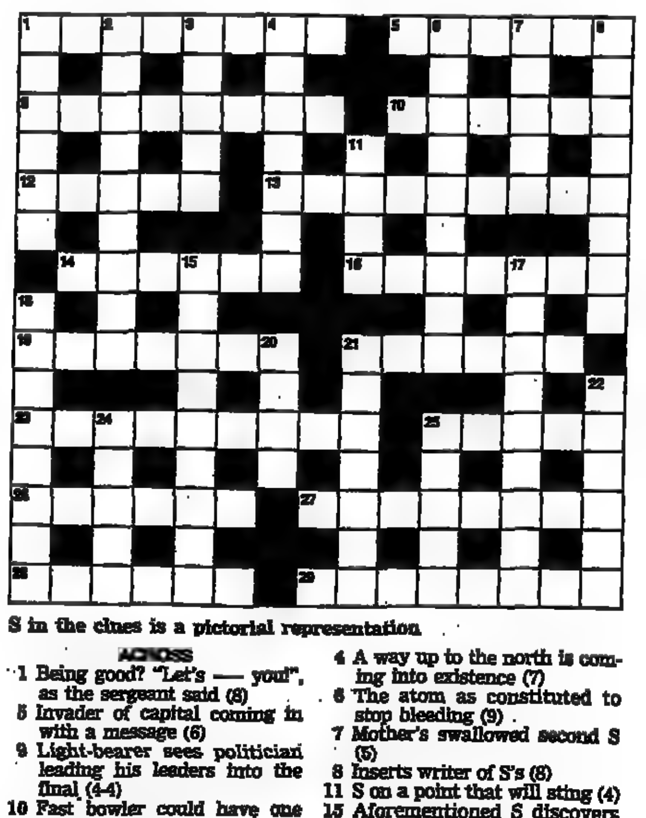
■ OTHER		
Gold (per troy oz)♣	$397.30	+2.30
Silver (per troy oz)♣	545.5c	+4.0
Platinum (per troy oz.)	$416.50	+3.75
Palladium (per troy oz.)	$130.25	+1.00
Copper	119.0c	-6.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.78m	-0.03
Tin (New York)	298.5c	
Cattle (live weight)†	118.75p	-2.95*
Sheep (live weight)†♣	119.99p	+1.99*
Pigs (live weight)†	103.81p	-1.81*
Lon. day sugar (raw)	$313.5	-4.2
Lon. day sugar (wte)	$384.2	-2.8
Barley (Eng. feed)	121.5u	
Maize (US No3 Yellow)	150.5z	-0.5
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	106.50p	+1.00
Rubber (Mar)♥	106.50p	+1.00
Rubber (KL RSS No1)	397.00m	-1.50
Coconut Oil (Phil)§	$700.0y	+2.5
Palm Oil (Malay.)§	$537.5y	+5.0
Copra (Phil)§	451y	
Soyabeans (US)	210.0	+1.0
Cotton Outlook'A' index	85.95	+0.25
Wooltops (64s Super)	450p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb.♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,969 Set by CINEPHILE



S in the clues is a pictorial representation

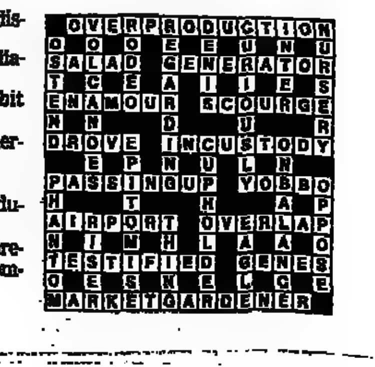
ACROSS

1 Being good? "Let's — you!", as the sergeant said (8)
5 Invader of capital coming in with a message (6)
9 Light-bearer sees politician leading his leaders into the final (4-4)
10 Fast bowler could have one stitched up (6)
12 S for summer (5)
13 Go into detail to raise spirits, catching wild boar (9)
14 Trainers etc, for James (say) and Christopher (3,3)
16 Mine's a gesture of approval, maybe for tap work? (7)
19 First's first (said about row) (7)
21 S of the flying circus (6)
23 Conservative leader in predatory bid to go underground (4,5)
25 Inform S (5)
26 Namibian using eggs to disperse mob (6)
27 The last one in Pisces is diabolical (8)
28 Trouble holder, King (a bit crazy) George? (6)
29 S telling stories against American lawman (8)

DOWN

1 Soothing stuff to raise graduate's laboratory (6)
2 S to make exaggerated representations of a teetotal commercial (9)
3 S for two top people (5)
4 A way up to the north is coming into existence (7)
6 The atom as constituted to stop bleeding (9)
7 Mother's swallowed second S (5)
8 Inserts writer of S's (8)
11 S on a point that will sting (4)
15 Aforementioned S discovers cork in bag (4,5)
17 Expert flier takes one on trial (9)
18 S, though authorised, may have to fend off others (4-4)
20 Be not recorded (4)
21 Part of river put into drink (7)
22 Island, namely, also bits of hipbone, for answer (6)
24 Ship capsized, it appears, by S (5)
25 Relating to heredity, often after photo (5)

Solution 8,968



Agent Bank

هكذا من الاصل

Renewed talk of rate cuts helps German sector

By Martin Brice in London and Lisa Bransten in New York

Government bonds powered ahead yesterday, with a number of European futures contracts breaking through key resistance points. Although US Treasuries recovered some of last week's losses in early trading, they underperformed German bonds, which were helped by renewed talk of rate cuts. The weakness of the D-Mark against the dollar helped other European currencies, bolstering the French and high-yielding markets.

■ German bonds were helped by comments from Mr Hans Tietmeyer, Bundesbank president, that there was room for further interest rate cuts.

The yield on benchmark two-year paper fell by 3 basis points to 3.43 per cent and on 10-year paper by 4 basis points to 5.84 per cent, while the yield spread of bunds over 10-year Treasuries tightened from 6 to 4 basis points. On Liffe the March 10-year bund future closed at 100.95, up 0.45.

Mr Karl Haeling of Deutsche Morgan Grenfell in Frankfurt said: "The markets are overbought, but that doesn't mean they can't get more overbought."

■ French bonds advanced strongly on bunds, with the 10-year yield spread over Germany moving in from 64 to 55 basis points. The 10-year futures contract broke through two key futures resistance points, at 122 and 122.20, to close at 122.62, up 0.18. In the cash market the yield on two-year paper fell 16 basis points to 4.55 per cent, while on 10-year bonds it fell 9 points to 6.55 per cent.

Mr Dominique Barbet, head of French bond market research at Paribas Capital Markets, said spread trades between Germany and France had been a feature of trading.

GOVERNMENT BONDS

"We saw quite strong buying of the French future contract at the same time as selling of the bund contract," he said, but warned that some correction is now likely at present price levels.

Mr John Hall, head of European economic research at SBC Warburg, said the markets were "far too bullish on France" and is recommending that investors sell French bonds or Ecu bonds, and buy Spanish and Italian paper.

■ The yield spread over Germany on Italian 10-year bonds moved in from 466 to 455 basis points, and on Spanish bonds from 353 to 347 points.

■ UK gilts also had a strong day, taking their cue from bunds and helped by US buying. The March long gilt future on Liffe surged past the 111⅛ resistance level to close at 111$\frac{27}{32}$, up $\frac{25}{32}$. The 10-year yield spread over Germany fell from 166 to 163 basis points.

Mr David Hands of Williams de Broë said: "There may be some more upside, but some of the figures over the next week may trip us up." The PSBR figure is due out today, with earnings and unemployment data.

■ A combination of weak retail sales figures and a stronger dollar helped US Treasury prices to recover from last week's losses in early trading yesterday. The Treasury market was closed on Monday for Martin Luther King day.

Near midday, the benchmark 30-year Treasury was $\frac{17}{32}$ higher at 110¾ to yield 6.108 per cent, while the two-year note was $\frac{1}{8}$ stronger at 100¼, yielding 5.096 per cent.

Bonds were mostly higher as New York trading began, in part because Mr George Soros, the closely followed US hedge fund manager, said he expected the dollar to continue to strengthen against the yen.

In early trading yesterday the dollar was changing hands at Y105.70 and DM1.4690 compared with Y105.29 and DM1.4695 late on Monday.

Also helping bonds was a dip in retail sales recorded last week. According to Mitsubishi, same-store sales last week were 1 per cent lower than sales for the same period a year ago.

There was little reaction to stronger than expected figures on November housing starts. According to the Commerce Department, housing starts climbed by 5.7 per cent in November, but the information was looked at as very old news.

The housing figures were only the second set of official data released since government statisticians returned to work. The government had been partially closed since mid-December amid wrangling between President Bill Clinton and Republicans in Congress over how to balance the federal budget by 2002.

Structured finance in Australia 'to expand sharply'

By Nikki Tait in Sydney

Australia's structured finance market is forecast to expand sharply in the current year, with around A$5bn of securities issued, according to a report from Moody's Investors Service, the US-based ratings agency.

Moody's attributed its optimism to the belief that the mortgage-backed securities market, which took off in Australia last year, will remain extremely active.

"If the major and regional banks, not traditionally active in the securitisation market, decide to enter the market as expected, volumes could well exceed this figure [A$5bn], based on high MBS issuance," it said.

It added that if new asset-backed commercial paper programmes came to market, CP issuance could also boost overall volumes. However, it noted that growth in the asset-backed CP market had not been as rapid as anticipated in 1995, and that domestic Australian dollar issuance remained relatively low.

The report calculated that total new issuance of mortgage-backed securities rose sharply to A$8bn last year, double the level of 1994, with Macquarie Bank's PUMA unit leading the way.

The surge is largely attributed to shifting trends in the home lending market, as customers have moved away from traditional sources of finance to cheaper, specialist suppliers, such as Aussie Home Loans.

Moody's also suggested that investment demand for mortgage-backed securities had increased, as investors came to grips with the credit risks and issuers tailored products to meet investors' requirements.

"Issuers generally report that there has been a marked increase in the number of investors in 1995, with a corresponding increase in first-time investors in MBS," it said.

The agency played down suggestions that the slowdown in Australia's housing market would curtail the structured finance market's growth, but warned that "as competition between lenders intensifies, loan quality may start to deteriorate as lenders fight to maintain their market share and profit margins".

It noted that there has already been signs of loosening credit standards for home loan approvals, with some lenders providing mortgages with increasingly high "loan to value" ratios.

EIB raises DM1bn in tightly priced opportunistic deal

By Conner Middelmann

The recent flood of D-Mark paper continued unabated yesterday, with DM3.6bn of bonds hitting the primary market.

The European Investment Bank complemented last week's borrowing binge with a further DM1bn offering of five-year bonds. Contrary to its negotiated issues last year, this deal was of an opportunistic nature, and accordingly tightly priced, yielding only 20 basis points over bunds.

"It should have been 5 to 7 basis points wider," said a dealer. Indeed, the spread widened out to around 23 basis points, although the lead managers reported good demand from European retail and institutional investors, including central banks.

The underwriting group was unusually small, consisting only of four equal partners: CS First Boston, Salomon Brothers, UBS and WestLB. This was thought to have been motivated by the EIB's desire to keep the issue under tight control. "They wanted the leads to be fully accountable for the deal's performance," said one trader.

INTERNATIONAL BONDS

Baden-Württemberg L-Finance issued its long-awaited DM1bn global bond, which was deemed fairly priced at 24 basis points over the corresponding government benchmark.

"This is the first genuinely negotiated 10-year deal this year, and it's met with broad demand," said a syndicate official at CS First Boston, which acted as joint book-runner with Deutsche Morgan Grenfell. Unlike most recent deals in the D-Mark sector, the yield spread held steady. Having been widely pre-marketed, the deal was placed by the end of the day, with no flow-back seen, the official said.

The Hellenic Republic made its long-awaited appearance with DM1bn of 6⅞ per cent, seven-year bonds via Salomon and WestLB. Although it closed inside fees, its yield spread widened by 8 basis points from the initial 100 points, dealers said.

"It's a tough one – it's too long-dated for many institutions whose credit lines only go out to five years, and compared with recent issues by Mexico or Argentina with coupons of around 10¼ per cent, it's not yielding enough to attract heavy retail buying," said one dealer.

In the sterling sector, the A1/AA rated British Airports Authority issued £250m of 8.5 per cent, 25-five year bonds to strong demand from UK institutions. "It's one of the darling credits in the UK corporate sterling market - it's well rated, has strong cashflows and is not highly geared," said an official at lead manager BZW. The bonds were priced to yield 85 basis points over gilts.

Dixons, the electrical retailing group, provided the other UK corporate sterling issue, with £100m of five-year bonds priced at 75 basis points over gilts. Lead manager NatWest Markets said the bonds were placed with UK institutions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Mars Engineering Corp.(a)‡	100	2.25	100.00	Feb.2000	2.25	-	Daiwa Europe
D-MARKS							
Baden Württemberg L-Finance	1bn	6.00	99.465R	Jan.2006	0.325R	+24(6%-06)	CSFB/Deutsche MG
Nürnberger Hypothekenbank(b)	1bn	6.00	99.865	Jan.2006	0.325	-	BayHypo/BayLB/Bayverein
Hellenic Republic	1bn	6.375	99.75R	Feb.2003	0.50R	+100(7⅛%-03)	Salomon/WestLB
European Investment Bank	1bn	4.625	99.45R	Feb.2001	0.25R	+20(5¾%-00)	CSFB/Salomon/UBS/WestLB
BFCE(a)	500	4.25	99.75R	Nov.1999	0.225R	+13(7%-99)	Dresdner Bank
DSL Bank(c)	100	3.875	[illegible]R	Feb.2001	0.25R	-	JP Morgan
SWISS FRANCS							
Shikoku Electric Power Corp.	250	3.50	10[illegible]	Feb.2001	2.00	-	UBS
Hydro-Quebec☆	85	2.50	10[illegible]	Feb.1998	1.125	-	Von Ernst/Merrill Lynch
STERLING							
BAA(a)	250	8.506	99.[illegible]	Mar.2021	0.625R	+85(8¾%-17)	Barclays de Zoete Wedd
Dixons Group Finance(a)	100	7.75	99.8[illegible]	Dec.2001	0.35R	+75(7%-01)	NatWest Capital Markets
FRENCH FRANCS							
GECC(d)	1bn	5.625	101.2[illegible]	Jan.2005	0.325R	+16(6¾%-04)	Banque Paribas
LUXEMBOURG FRANCS							
ASLK-CGER fico	2bn	(e)	102.5[illegible]	Mar.2001	1.75	-	Banque UCL
ITALIAN LIRE							
Bank Austria	200bn	9.30	101.32	Feb.1999	1.375	-	BNL/Cariplo/MPS
Telebras(f)	100bn	13.00	99.75R	Feb.1999	1.00R	+345(3yrSwap)	SCI/JP Morgan Securities
SOUTH AFRICAN RAND							
Deutsche Bank Finance(g)	250	13.50	101.15	Jan.1997	1.00	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ☆Unlisted. ‡With equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 22/1/96. b) Oeffentliche Pfandbrief. c) Denom: DM5,000 +2 wnts. Each option gives holder the right to sell DM5,000 at 1.4[illegible]. Exercise period: 12/3/96 - 29/12/98. d) FFr3bn launched Jan 2 & 3 was increased to FFr4bn. e) [illegible]% to 8/3/99 & 7% thereafter. f) L250bn launched Monday was increased to L350bn. g) R250m launched 11/1/96 was increased to [illegible]00m. s) Short 1st coupon.

Repsol prospectus today

Repsol, the Spanish oil, gas and chemicals group in which the government is selling a further 11 per cent through a global offering, is expected to publish its prospectus today, Antonia Sharpe writes.

The issue, set to raise about Pta130bn or $1.07bn at current prices, will take place at the end of this month. It will be divided into five tranches – Spain, the UK, continental Europe, the US and the rest of the world. The government, which will retain a 10 per cent stake, is likely to sell half of the 33m shares outside Spain.

● SBC Warburg, which is arranging the privatisation of Railtrack, which has taken over British Rail's track, stations and signalling, has received submissions from 35 banks wanting to take part in the syndicate.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	111.7900	−0.510	8.26	8.14	8.08
Austria		6.500	11/05	102.4200	+0.390	6.16	6.30	6.55
Belgium		6.500	03/05	100.8700	+0.450	6.37	6.58	6.69
Canada *		8.750	12/05	111.4400	+0.090	7.11	7.18	7.11
Denmark		8.000	03/06	107.5400	+0.560	6.94	7.11	7.29
France	BTAN	7.750	04/00	108.8750	+0.625	5.30	5.77	6.24
	OAT	7.750	10/05	110.0900	+1.040	6.34	6.58	6.29
Germany Bund		6.000	01/06	101.2300	+0.460	5.82	5.96	6.09
Ireland		8.000	08/06	104.9500	+0.700	7.30	7.44	7.49
Italy		10.500	09/05	102.4000	+1.200	10.10†	10.29	11.12
Japan	No 129	6.400	03/00	118.1880	+0.149	1.71	1.75	1.94
	No 174	4.600	09/04	111.1490	+0.055	2.98	2.99	2.65
Netherlands		6.750	11/05	101.5600	+0.380	6.53	5.94	6.11
Portugal		11.875	02/05	116.2500	+1.040	9.31	9.52	10.27
Spain		10.150	01/06	106.1700	+0.860	9.25	9.49	10.17
Sweden		6.000	02/05	88.9360	+0.401	8.09	8.25	8.66
UK Gilts		8.000	12/00	105-14	+17/32	6.67	6.90	6.86
		8.500	12/05	109-08	+22/32	7.21	7.48	7.52
		8.000	10/08	112-16	+25/32	7.46	7.63	7.68
US Treasury *		5.875	11/05	101-13	+17/32	5.68	5.70	5.64
		6.875	08/25	110-12	+27/32	6.11	6.07	6.03
ECU (French Govt)		7.500	04/05	105.6000	+0.800	6.66	6.84	7.20

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.40	Two year	5.11
Prime rate	8½	Two month	5.27	Three year	5.20
Broker loan rate	7¼	Three month	5.14	Five year	5.38
Fed.funds	5⅝	Six month	5.16	10-year	5.68
Fed.funds at intervention	-	One year	5.09	30-year	6.11

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.90	122.68	+1.02	122.68	121.90	193,169	116,170
Jun	122.34	123.14	+1.04	122.94	122.32	2,746	7,591
Sep	121.20	121.94	+0.98	121.70	121.20	1,866	798

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
119	-	-	-	0.01	0.10	0.38
120	2.66	2.79	-	0.02	0.17	0.56
121	1.66	1.94	2.83	0.04	0.32	0.80
122	0.76	1.22	2.15	0.13	0.88	1.11
123	0.21	0.70	1.58	-	-	1.52

Est. vol. total, Calls 54,312 Puts 27,407 . Previous day's open int., Calls 146,351 Puts 136,791.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.71	100.96	+0.46	100.98	100.66	167230	221816
Jun	100.00	100.27	+0.46	100.20	99.97	2020	4752

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10050	0.57	0.90	0.77	1.14	0.11	0.44	1.00	1.37
10100	0.25	0.61	0.56	0.91	0.29	0.65	1.29	1.64
10150	0.08	0.39	0.39	0.71	0.62	0.93	1.62	1.94

Est. vol. total, Calls 32169 Puts 24060. Previous day's open int., Calls 204675 Puts 189419

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.45	111.42	+1.32	111.60	110.41	65021	59114
Jun	-	111.06	+1.32	-	-	0	1726

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11100	1.53	2.46	1.11	2.40
11150	1.26	2.23	1.34	2.67
11200	1.05	2.00	1.61	2.94

Est. vol. total, Calls 7765 Puts 5721. Previous day's open int., Calls 56565 Puts 45920

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	97.66	98.11	+0.79	98.18	97.56	70,797	47,428

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111-10	111-29	+0-27	111-30	111-09	89903	138842
Jun	111-03	111-09	+0-27	111-03	111-02	174	384

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
111	1-08	1-37	1-39	2-10	0-12	0-43	1-21	1-58
112	0-30	1-00	1-09	1-44	0-36	1-06	1-55	2-25
113	0-09	0-35	0-50	1-18	1-15	1-44	2-32	3-00

Est. vol. total, Calls 3933 Puts 3927. Previous day's open int., Calls 25113 Puts 22759

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.74	92.24	+0.80	92.22	91.64	2,757	8,570

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	119-04	119-19	+0-20	119-27	119-04	346,849	354,255
Jun	118-27	119-07	+0-21	119-12	118-27	1,493	18,928
Sep	118-23	118-22	+0-20	118-27	118-22	122	3,533

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.43	-	-	119.52	119.37	2366	0
Jun	118.01	-	-	118.07	118.00	403	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Jan 16	Day's change %	Mon Jan 15	Accrued interest	xd adj. ytd		Low coupon yield Jan 16	Jan 15	Yr. ago	Medium coupon yield Jan 16	Jan 15	Yr. ago	High coupon yield Jan 16	Jan 15	Yr. ago
1 Up to 5 years (22)	12[illegible]	+0.34	123.42	2.35	0.12	5 yrs	6.78	6.90	8.61	6.81	6.95	8.63	6.89	6.99	8.63
2 5-15 years (21)	15[illegible]	+0.63	151.02	2.40	0.00	15 yrs	7.55	7.63	8.62	7.59	7.68	8.64	7.69	7.76	8.66
3 Over 15 years (8)	1[illegible]	+0.72	187.39	2.14	1.02	20 yrs	7.66	7.73	8.49	7.68	7.75	8.64	7.75	7.82	8.63
4 Irredeemables (6)	1[illegible]	+0.65	181.07	1.57	0.00	Irred.†	7.61	7.68	8.55						
5 All stocks (57)	14[illegible]	+0.52	145.35	2.30	0.21										

Index-linked	Jan 16	Day's change %	Mon Jan 15	Accrued interest	xd adj. ytd		Inflation 5% Jan 16	Jan 15	Yr. ago	Inflation 10% Jan 16	Jan 15	Yr. ago
6 Up to 5 years (1)	197.4[illegible]	+0.09	197.24	1.98	0.00	Up to 5 yrs	2.44	2.47	4.07	1.31	1.34	2.90
7 Over 5 years (11)	189.0[illegible]	+0.12	188.79	1.00	0.00	Over 5 yrs	3.53	3.54	3.88	3.35	3.36	3.71
8 All stocks (12)	189.0[illegible]	+0.12	188.85	1.03	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10	Yr ago	High*	Low*
Govt. Secs. (UK)	95.98	95.80	[illegible]	95.38	95.29	91.07	96.22	90.22
Fixed Interest	114.54	114.22	1[illegible]4	114.08	114.08	109.34	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 15	Jan 12	Jan 11	Jan 10	Jan 9
Gilt Edged bargains	81.2	89.5	91.6	84.8	83.3
5-day average	86.2	83.7	82.6	83.1	81.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98⅞	9[illegible]	+⅛	5.98
Abbey Natl Treasury 6½ 03	1000	102⅛	102[illegible]	+⅛	6.12
ABN Amro Bank 7¼ 05	1000	106⅜	106[illegible]	+⅛	6.28
African Dev Bk 7¾ 23	300	105⅛	105[illegible]	+⅛	6.90
Alberta Province 7⅜ 98	1000	105⅛	105⅜	+⅛	5.44
Asian Dev Bank 6¼ 05	750	102	102¼	+⅛	6.08
Austria 8½ 00	400	110	110⅛	+⅛	5.65
Baden-Wuert L-Fin 8⅛ 00	1000	108⅛	108¼	[illegible]	5.67
Swedish 8 97	2500	107¼	107⅜		3.76
United Kingdom 7¼ 97	5500	106	106⅛	+⅛	3.58
Volkswagen Intl Fin 7 03	1000	105⅝	106⅛	+⅛	5.88
World Bank 0 15	2000	30⅝	31	+⅛	6.12
World Bank 8⅝ 03	3000	101½	101¾	+⅛	5.93
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	37¾	38¼	+⅛	4.56
Austria 4½ 00	1000	108⅛	108⅝	+⅛	2.85
Abbey Natl Treasury 8 03 £	1000	102	102¼	+½	7.62
Alliance Leics 11⅜ 97 £	100	105⅞	106¼	+⅛	6.49
British Land 8⅞ 23 £	150	94⅞	95⅜	+⅛	9.32
Denmark 6⅞ 98 £	[illegible]00	100¼	100½	+¼	6.62
EIB 6 03 £	1000	10[illegible]	103½	+⅛	7.36
Halifax 10⅜ 97 £	100	104¼	104½	+⅛	6.44
Hanson 10⅜ 97 £	500	105⅝	105⅞	+⅛	6.59
HSBC Holdings 11.69 02 £	[illegible]	118	118½	+⅛	8.02
Italy 10½ 14 £	400	115½	115⅞	[illegible]	8.76
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. CONVERTIBLE BONDS: [illegible]

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
15¼pc 1996‡‡	14.86	6.23	102⅝	-⅛	105[illegible]	102⅝
Exch 13¼pc 1996‡‡	12.96	6.22	102¼	-⅛	107⅛	102¼
Conversion 10pc 1996	9.70	6.07	103⅛		104[illegible]	103⅛
Treas 13¼pc 1997‡‡	12.39	6.05	106[illegible]		109[illegible]	106[illegible]
Exch 10½pc 1997	10.04	6.07	104⅛	+⅛	105[illegible]	104[illegible]
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 8½pc 2005‡‡	7.86	7.30	108⅛	+⅝	108⅛	97⅞
7½pc 2006‡‡	7.40	7.31	101⅛	+[illegible]	101⅛	94[illegible]
7¾pc 2006‡‡	7.54	7.35	103[illegible]	+⅝	102[illegible]	92⅞
8pc 2002-6‡‡	7.71	7.44	103[illegible]	+[illegible]	104⅛	98¾
Treas 11¾pc 2003-7	9.44	7.71	124[illegible]	+⅛	124⅝	113[illegible]
[illegible]						

Notes	(1)	(2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (6)						
2pc '96	(67.9)	-	1.88	215[illegible]	+⅛	215[illegible]	201⅛
[illegible]						

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا من الأصل

CURRENCIES AND MONEY

MARKETSIEPORT

Dollar gains at expense of the D-Mark

By Graham Boey

Fears of a sha downturn in the German enomy buoyed the dollar o. the foreign exchanges yesrday as the D-Mark was hagain by the growing expection that German interest res might be cut soon.

The dollar'sise was supported in early iding by comments by Mr Gege Soros, the American finaner, who told a seminar in Tyo that he favoured the dar over other currencies and tt the D-Mark needed to depreite further.

Other Europa currencies benefited from t weakness in the D-Mark. In cent sessions there has been marked shift of investment fivs out of the D-Mark into thhigher yielding markets of lly and Spain, analysts said.

The Italian li made strong gains as Italia government bonds rallied sbply. It closed at L1, 082 again the D-Mark, from L1,088.

The French franc rose against the D-Mark but its gains were limited by concerns that France might be one of the countries worst hit by a slowdown in Europe and by government spending cuts required by the Maastricht criteria for European monetary union.

Against the D-Mark, the franc closed at FFr3.418 from FFr3.421.

Sterling had a good day before retreating against the dollar in late trading.

The pound closed at DM2.2425 from DM2.2359 against the D-Mark. Against the dollar, it finished at $1.5386, from $1.5457.

The dollar finished in London at DM1.4576, from DM1.4466. Against the yen, it closed at Y105.685 from 105.2.

■ The debate over the seriousness of the slowdown in the German economy continued yesterday, further undermining the D-Mark.

Official figures last week suggested that the German economy might be experiencing a more abrupt downturn than had been thought. The data was followed by comments this week by Bundesbank members which hinted that the German discount rate might be cut soon to stimulate the economy.

Mr Hans Tietmeyer, Bundesbank president, said late on Monday that there was scope for a further decline in official interest rates if M3 money supply did not move closer towards its target corridor.

Expectations of lower interest rates were further boosted yesterday by speculation that the meeting on Saturday of finance ministers and central bank governors from the Group of Seven leading industrial countries might lead to measures to support the European economies.

Few analysts expect a cut in the German discount rate when the Bundesbank meets tomorrow. But there is a general expectation that the shorter-term repo rate will fall further at the Bundesbank's money market operations today. Dealers said a large decline in the repo rate would further illustrate the current downward trend in interest rates and would 'further weaken the D-Mark.

"The D-Mark is vulnerable to bad news. The market seems to be more and more inclined to sell the currency." said Mr Adrian Cunningham, currency analyst at UBS in London.

■ Government bond and short-term interest rate markets across Europe have rallied strongly in recent sessions on the back of the expectation of slower growth in Europe.

In the UK, gilts advanced further yesterday, outperforming German government bonds and supporting sterling. Short sterling interest rate futures also registered some gains, with the December 1996 contract closing 8 basis points ahead on the day at 93.88.

Mr Tony Norfield, treasury economist at ABN Amro in London, said that the full impact of the expectation of a slowdown had not yet been fully felt by the D-Mark.

He said some European central banks were taking advantage of the D-Mark's weakness to buy D-Marks, which was temporarily supporting the currency.

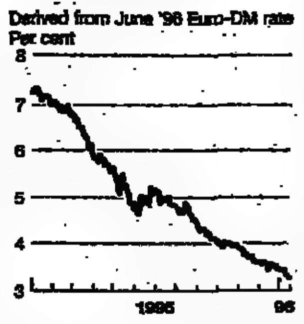
■ The dollar was the main beneficiary of the D-Mark's decline despite comments by Mr Newt Gingrich, the speaker of the US House of Representatives, who said that he was pessimistic about progress on the US budget talks.

The budget talks resume today but analysts expected the impact on the foreign exchanges to be muted with attention still on Germany.

German interest rate expectations

Derived from June '96 Euro-DM rate

Per cent



Source: FT Extel

■ Pound in New York

Jan 16	Latest	Prev close
£ spot	1.5380	1.5445
1 mth	1.5367	1.5432
3 mth	1.5347	1.5411
1 yr	1.52[illegible]	1.5300

■ OTHER CURRENCIES

Jan 16	£	$
Czech Kr	41.3741 - 41.4026	[illegible]
Hungary	212.347 - 212.483	138.040 - 138.090
Iran	4616.40 - 4614.[illegible]	[illegible]
Kuwait	0.4607 - 0.4612	0.2995 - 0.2997
Poland	3.8542 - 3.8570	2.5055 - 2.5085
Russia	7192.35 - 7194.[illegible]	4674.00 - 4677.00
U.A.E.	5.6500 - 5.6522	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	5.7691	+0.0465	[illegible] - 759	15.8169	15.7065	15.7256	3.3	15.6816	2.2	-	-	106.3
Belgium	(BFr)	6.1104	+0.1582	721 - 486	46.2900	45.9710	45.9804	3.1	45.8104	2.5	44.9184	2.6	108.8
Denmark	(DKr)	8.6667	+0.0211	629 - 704	8.7020	8.6295	8.6551	1.8	8.6377	1.3	8.5795	1.0	109.1
Finland	(FM)	6.7962	+0.0312	897 - 027	6.8220	6.7490	6.7918	0.8	6.7837	0.7	-	-	86.2
France	(FFr)	7.6570	+0.0172	639 - 701	7.6911	7.6552	7.6618	0.8	7.6536	0.7	7.6072	0.6	110.2
Germany	(DM)	2.2425	+0.0086	416 - 434	[illegible]	[illegible]	2.237	3.0	2.2259	2.8	2.1812	2.7	110.8
Greece	(Dr)	68.321	[illegible]	146 - 495	369.453	366.447	-	-	-	-	-	-	66.4
Ireland	(I£)	0.9665	+0.0007	657 - 672	0.9679	0.9646	0.9656	1.2	0.9644	0.9	0.9609	0.6	98.0
Italy	(L)	428.22	-4.71	667 - 977	2439.17	2426.24	2436.67	-4.2	2463.32	-4.1	2526.17	-4.0	72.3
Luxembourg	(LFr)	6.1104	+0.1582	721 - 486	46.2900	45.9710	46.0054	2.7	45.8254	2.5	45.1254	2.1	108.8
Netherlands	(Fl)	2.5115	+0.0079	102 - 124	2.5269	2.5000	2.5054	2.8	2.495	2.6	2.451	2.4	108.6
Norway	(NKr)	9.8263	+0.0203	244 - 322	9.8705	9.7619	9.8162	1.2	9.7967	1.2	9.7166	1.1	98.3
Portugal	(Es)	31.921	+0.344	806 - 036	234.679	231.806	232.346	-2.2	233.251	-2.3	-	-	95.8
Spain	(Pta)	88.757	+0.597	688 - 826	189.358	188.054	189.242	-3.1	190.167	-3.0	194.412	-3.0	82.3
Sweden	(SKr)	0.1942	+0.0062	851 - 033	10.2428	10.1831	10.1961	-0.2	10.1997	-0.2	10.2149	-0.2	88.2
Switzerland	(SFr)	1.8064	+0.0051	055 - 075	1.8089	1.8011	1.7991	4.8	1.7856	4.6	1.7276	4.4	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.4
Ecu	-	1.2136	+0.0049	131 - 141	1.2169	1.2087	1.2125	1.1	1.2104	1.1	[illegible]	0.9	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5385	-0.0071	381 - 388	1.5497	1.5363	-	-	-	-	-	-	-
Brazil	(R$)	1.4958	-0.007	[illegible] - 959	1.5006	1.4936	-	-	-	-	-	-	-
Canada	(C$)	2.1024	-0.0052	016 - 031	2.1054	2.0979	2.1011	0.7	2.098	0.6	2.0905	0.6	84.0
Mexico	(New Peso)	1.5692	-0.0264	757 - 026	11.6062	11.5757	-	-	-	-	-	-	-
USA	($)	1.5386	-0.0071	383 - 388	1.5440	1.5365	1.5375	1.0	1.5353	0.8	1.5246	0.9	95.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0689	-0.0113	679 - 699	2.0810	2.0660	2.0704	-0.9	2.0742	-1.0	2.0907	-1.1	86.6
Hong Kong	(HK$)	1.8964	-0.0538	937 - 991	11.9374	11.8813	11.8889	0.7	11.8812	0.6	11.8547	0.4	-
India	(Rs)	5.2263	-0.1487	942 - 583	55.3950	55.1760	-	-	-	-	-	-	-
Israel	(Shk)	4.8033	-0.0157	992 - 074	4.8263	4.7962	-	-	-	-	-	-	-
Japan	(Y)	62.602	-	537 - 667	163.410	162.450	161.767	6.2	160.262	5.8	153.922	5.3	137.0
Malaysia	(M$)	3.9433	-0.0167	419 - 447	3.9596	3.9366	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3222	-0.0136	206 - 238	2.3321	2.3196	2.3251	-1.5	2.3321	-1.7	2.3583	-1.5	108.9
Philippines	(Peso)	40.3331	-0.1362	112 - 550	40.3550	40.3112	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7704	-0.0265	691 - 716	5.7906	5.7630	-	-	-	-	-	-	-
Singapore	(S$)	2.1932	-0.0052	921 - 943	2.2007	2.1910	-	-	-	-	-	-	-
South Africa	(R)	5.6015	-0.0157	994 - 035	5.6192	5.5944	-	-	-	-	-	-	-
South Korea	(Won)	1219.53	-4.01	926 - 981	1224.00	1217.96	-	-	-	-	-	-	-
Taiwan	(T$)	42.1532	-0.1613	433 - 631	42.2626	42.1001	-	-	-	-	-	-	-
Thailand	(Bt)	38.8869	-0.1663	651 - 086	38.9550	38.8350	-	-	-	-	-	-	-

† Rates for Jan 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.2494	+0.0772	466 - 521	10.2690	10.1825	10.2339	1.8	10.2079	1.6	10.1044	1.4	106.5
Belgium	(BFr)	29.9700	+0.24	500 - 900	30.0200	29.8350	29.918	2.1	29.83	1.9	29.525	1.5	108.5
Denmark	(DKr)	5.6330	+0.0395	315 - 345	5.6475	5.5927	5.6292	0.8	5.623	0.7	5.6405	-0.1	108.7
Finland	(FM)	4.4173	+0.0405	138 - 208	4.4386	4.3741	4.4123	1.4	4.4036	1.2	4.3748	1.0	86.1
France	(FFr)	4.9833	+0.034	820 - 845	4.9966	4.9660	4.9865	-0.8	4.9909	-0.6	4.9673	0.3	109.8
Germany	(DM)	1.4576	+0.011	572 - 579	1.4616	1.4505	1.4554	1.8	1.451	1.8	1.4333	1.7	110.6
Greece	(Dr)	239.395	+1.96	320 - 470	239.940	237.460	241.12	-8.6	244.32	-8.2	257.795	-7.7	66.2
Ireland	(I£)	1.5920	-0.0065	910 - 930	1.6000	1.5874	1.5925	-0.3	1.5929	-0.2	1.589	0.2	-
Italy	(L)	1578.25	+4.2	750 - 900	1582.99	1572.60	1585.1	-5.2	1597.15	-4.8	1655.25	-4.9	71.8
Luxembourg	(LFr)	29.9700	+0.24	500 - 900	30.0200	29.8350	29.918	2.1	29.83	1.9	29.525	1.5	108.5
Netherlands	(Fl)	1.6323	+0.0127	318 - 327	1.6361	1.6202	1.6294	2.2	1.624	2.0	1.604	1.7	108.3
Norway	(NKr)	6.3880	+0.0424	865 - 895	6.4035	6.3245	6.3857	0.4	6.3775	0.7	6.3605	0.4	97.7
Portugal	(Es)	150.740	+0.915	690 - 790	152.420	150.270	151.115	-3.0	151.885	-3.0	155.49	-3.2	95.7
Spain	(Pta)	122.685	+0.95	650 - 710	122.980	122.160	123.08	-3.9	123.815	-3.7	127.305	-3.8	82.4
Sweden	(SKr)	6.6259	+0.0345	210 - 307	6.6447	6.5994	6.6429	-3.1	6.6724	-2.8	6.8099	-2.8	87.4
Switzerland	(SFr)	1.1741	+0.0087	736 - 746	1.1768	1.1674	1.1705	3.7	1.1638	3.5	1.1354	3.3	115.1
UK	(£)	1.5386	-0.0071	383 - 388	1.5440	1.5365	1.5373	1.0	1.5353	0.8	1.5246	0.9	82.8
Ecu	-	1.2678	-0.011	674 - 681	1.2769	1.2650	1.2681	-0.3	1.2685	-0.2	1.2691	-0.1	-
SDR†	-	0.67550	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9721	-0.0001	720 - 721	0.9722	0.9720	-	-	-	-	-	-	-
Canada	(C$)	1.3665	+0.0029	662 - 667	1.3687	1.3622	1.3667	-0.1	1.3669	-0.1	1.3718	-0.4	83.2
Mexico	(New Peso)	7.5525	+0.0175	250 - 400	7.5400	7.5250	7.5347	-0.4	7.5379	-0.3	7.5428	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3446	-0.0011	441 - 452	1.3452	1.3443	1.3466	-1.8	1.3501	-1.6	1.3686	-1.8	87.3
Hong Kong	(HK$)	7.7322	+0.0007	317 - 327	7.7327	7.7317	7.7329	-0.1	7.7347	-0.1	7.7617	-0.4	-
India	(Rs)	35.8950	+0.07	800 - 100	35.9150	35.8350	36.045	-5.0	36.35	-5.1	37.82	-5.4	-
Israel	(Shk)	3.1220	+0.0023	198 - 241	3.1297	3.1198	-	-	-	-	-	-	-
Japan	(Y)	105.685	+0.485	660 - 710	105.930	105.310	105.22	5.3	104.36	5.0	100.93	4.5	137.6
Malaysia	(M$)	2.5630	+0.001	625 - 635	2.5657	2.5625	2.5639	-0.4	2.57	-1.1	2.5935	-1.2	-
New Zealand	(NZ$)	1.5092	-0.0015	085 - 101	1.5101	1.5085	1.5123	-2.5	1.5181	-2.4	1.5427	-2.2	-
Philippines	(Peso)	26.2150	-	050 - 250	26.2250	26.2050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4255	+0.0035	250 - 260	1.4268	1.4230	1.422	3.0	1.418	2.7	1.3905	2.5	-
South Africa	(R)	3.6408	+0.0066	400 - 415	3.6440	3.6380	3.6636	-8.6	3.721	-8.6	3.9445	-8.3	-
South Korea	(Won)	792.650	+1.05	600 - 700	793.400	790.160	795.65	-4.5	799.15	-3.3	817.65	-3.2	-
Taiwan	(T$)	27.3950	+0.0215	950 - 000	27.4000	27.3900	27.418	-0.9	27.455	-0.9	-	-	-
Thailand	(Bt)	25.2750	+0.015	650 - 850	25.2850	25.2650	25.3737	-4.7	25.5775	-4.8	26.46	-4.7	-

† SDR rate per $ for Jan 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 12: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45	-	5.85
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45	-	5.85
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.73
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.75
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.48
week ago	[illegible]	[illegible]	[illegible]	10	[illegible]	-	9.00	10.48
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.40
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.40
Switzerland	1	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.38	5.29	5.21	5.08	-	-	-
week ago	-	5.38	5.30	5.25	5.14	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.27	95.35	+0.16	95.40	95.26	47,147	54,064
Jun	95.48	95.58	+0.13	95.64	95.48	11,172	46,711
Sep	95.65	95.64	+0.12	95.70	95.55	6,197	37,632

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.58	96.60	+0.04	96.61	96.57	44874	189310
Jun	96.76	96.77	+0.03	96.79	96.75	39095	149542
Sep	96.78	96.79	+0.03	96.80	96.76	34000	127834
Dec	96.70	96.70	+0.04	96.71	96.67	22144	122250

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.25	90.37	+0.15	90.43	90.25	15023	46379
Jun	90.75	90.86	+0.16	90.89	90.71	4237	37000
Sep	90.99	91.10	+0.16	91.10	90.99	1094	15095
Dec	91.07	91.16	+0.18	91.13	91.06	273	6557

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.38	98.38	+0.05	98.39	98.36	7879	24412
Jun	98.46	98.45	+0.03	[illegible]	[illegible]	3558	19261
Sep	98.44	98.43	+0.04	98.45	98.42	1182	10015
Dec	98.23	98.24	+0.05	98.25	98.22	1010	3429

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.22	95.29	+0.10	95.29	95.22	1136	7565
Jun	95.41	95.46	+0.09	95.47	95.41	657	4945
Sep	95.43	95.50	+0.10	95.51	95.43	461	2717
Dec	95.36	95.41	+0.10	95.41	95.36	407	1996

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9025	0.21	0.77	1.08	0.19	0.16	0.23
9050	0.16	0.59	0.90	0.29	0.23	0.30
9075	0.11	0.42	0.73	0.49	0.31	0.38

Est. vol. total, Calls 700 Puts 990. Previous day's open int., Calls 11423 Puts 8998

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.63	4.864	2.096	5266	5.446	21.31	502.9	409.2	22.10	3.917	2.169	4.559	3.336	352.6	2.633
Denmark	(DKr)	53.21	10	8.847	2.588	1.115	2802	2.898	11.34	267.6	217.7	11.76	2.084	1.154	2.426	1.775	187.6	1.401
France	(FFr)	60.14	11.30	10	2.926	1.260	3167	3.275	12.82	302.5	246.1	13.29	2.356	1.304	2.742	2.007	212.1	[illegible]
Germany	(DM)	20.56	3.864	3.418	1	0.431	1082	1.119	4.382	103.4	[illegible]	4.545	0.805	0.446	0.937	0.686	72.49	0.541
Ireland	(I£)	47.73	8.971	7.937	2.322	1	2513	2.599	10.17	240.1	195.3	10.55	1.870	1.035	2.176	1.593	168.3	1.257
Italy	(L)	1.899	0.357	0.316	0.092	0.040	100.	0.103	0.405	9.551	7.772	0.420	0.074	0.041	0.087	0.063	6.697	0.050
Netherlands	(Fl)	18.36	3.451	3.053	0.893	0.385	966.9	1	3.914	92.35	75.15	4.059	0.719	0.398	0.837	0.615	64.78	0.483
Norway	(NKr)	46.92	8.818	7.801	2.282	0.983	2470	2.555	10	236.0	192.0	10.37	1.838	1.018	2.139	1.566	165.4	1.235
Portugal	(Es)	19.88	3.737	3.305	0.967	0.417	1047	1.083	4.238	100.	81.37	4.394	0.779	0.431	0.906	0.664	70.12	0.524
Spain	(Pta)	24.44	4.592	4.063	1.188	0.512	1287	1.331	5.208	122.9	100.	5.400	0.957	0.530	1.114	0.816	86.17	0.643
Sweden	(SKr)	45.25	8.504	7.524	2.201	0.948	2383	2.464	9.645	227.6	185.2	10	1.772	0.981	2.063	1.510	159.6	1.191
Switzerland	(SFr)	25.53	4.798	4.245	1.242	0.535	1344	1.390	5.442	128.4	104.5	5.642	1	0.554	1.164	0.852	90.03	0.672
UK	(£)	46.11	8.666	7.667	2.243	0.966	2428	2.511	9.828	231.9	188.7	10.19	1.806	1	2.102	1.539	162.6	1.214
Canada	(C$)	21.94	4.123	3.647	1.067	0.460	1155	1.195	4.676	110.3	89.77	4.848	0.859	0.476	1	0.732	77.35	0.578
US	($)	29.98	5.631	4.982	1.457	0.628	1578	1.632	6.388	150.7	122.6	6.621	1.173	0.650	1.366	1	105.7	0.789
Japan	(Y)	28.36	5.330	4.715	1.379	0.594	1493	1.544	6.044	142.6	116.1	6.267	1.111	0.615	1.293	0.946	100.	0.747
Ecu		37.98	7.138	6.315	1.848	0.796	2000	2.068	8.096	191.0	155.4	8.394	1.488	0.824	1.731	1.268	133.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.691	0.6899	-0.0040	0.6896	0.6870	17,846	59,632
Jun	0.691	0.6926	-0.0005	0.6926	0.6912	27	3,121
Sep	-	0.6955	-	-	0.6955	7	1,362

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9570	0.9536	-0.0054	0.9579	0.9525	9,396	78,122
Jun	0.9665	0.9654	-0.0063	0.9665	0.9697	16	3,189
Sep	-	0.9762	-	-	0.9815	24	486

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.862	0.8589	-0.0042	0.8627	0.8572	6,170	39,071
Jun	0.867	0.8669	-0.0040	0.8696	0.8660	89	914
Sep	-	0.8790	-	-	-	1	89

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5428	1.5372	-0.0066	1.5428	1.5370	1,934	34,894
Jun	1.5330	1.5330	-0.0074	1.5330	1.5330	51	170
Sep	-	1.5310	-	-	1.5310	4	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	6	6	[illegible]

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.1663pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1995 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.	93.77	[illegible]	93.79	93.76	15959	92706
Jun	93.	93.96	+0.04	93.98	93.95	15855	64504
Sep	93.	93.99	+0.05	94.01	93.97	10358	54309
Dec	93.	93.88	+0.08	93.90	93.85	10965	41073
Mar	93	93.67	+0.09	93.68	93.61	4129	29536

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	11	[illegible]	0.47	0.09	0.13	0.23
9400	02	0.19	0.33	0.25	0.23	[illegible]
9425	0	0.09	0.21	0.48	0.38	0.47

Est. vol. total, Calls 634 Puts 10735. Previous day's open int., Calls 119762 Puts 103305

EMS EUROPEAN CURRENCY UNIT RATES

Jan 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.081	+0.461	-2.10	4.75	15
Netherlands	2.15214	2.11646	+0.00275	-1.66	4.30	12
Belgium	39.3960	[illegible]	+0.047	-1.42	4.05	10
Austria	13.4383	13.2903	+0.0176	-1.10	3.72	8
Germany	1.91007	1.88981	+0.00238	-1.06	3.68	11
Portugal	195.792	195.428	-0.106	-0.19	2.77	1
Denmark	7.28580	7.30447	+0.00742	0.25	2.31	-2
France	6.40608	6.45843	-0.0023	0.82	1.74	-7
Ireland	0.792214	0.812618	[illegible]	2.58	0.00	-17
NON ERM MEMBERS						
Greece	292.867	310.159	+0.205	5.90	-3.14	-
Italy	2106.15	2046.92	-6.1	-2.81	5.54	-
UK	0.786652	0.840735	[illegible]	6.88	-4.03	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.520	2.51	3.03	3.55	0.24	0.85	1.55
1.530	1.80	2.43	2.95	0.57	1.30	1.85
1.540	1.17	1.86	2.46	0.92	1.74	2.31
1.550	0.68	1.39	1.99	1.39	2.28	2.80
1.560	0.34	1.01	1.59	2.07	2.66	3.39
1.570	0.10	0.71	1.25	2.80	3.35	4.04

Previous day's vol., Calls 6,106 Puts 2,189. Prev. day's open int., Calls 131,015 Puts 185,674

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.66	94.68	+0.01	94.68	94.66	26,557	428,602
Jun	94.99	95.01	+0.02	95.02	94.99	20,735	418,508
Sep	95.09	95.10	+0.01	95.12	95.09	12,905	284,841

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.14	95.13	+0.01	95.14	95.13	70	7,715
Jun	95.44	95.44	+0.01	95.44	95.43	60	5,843
Sep	-	95.52	-	95.52	-	5	265

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9650	0.12	0.14	0.31	0.33	0.02	0.04	0.04	0.06
9675	0.02	0.03	0.13	0.16	0.17	0.18	0.11	0.14
9700	0	0	0.05	0.06	0.40	0.40	0.28	0.29

Est. vol. total, Calls 20294 Puts 7731. Previous day's open int., Calls 214782 Puts 228952

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.19	0.30	0.40	0.06	0.10	0.22
9850	0.06	0.15	0.25	0.18	0.20	0.32
9875	0.01	0.06	0.16	0.38	0.36	0.48

Est. vol. total, Calls 400 Puts 200. Previous day's open int., Calls 8215 Puts 3073

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
AIB Bank	6.50	Financial & Gen Bank	7.50	●Smith & Williamson Secs.	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.75	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk.	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

Longer view gives a different story

Annual average exchange rates 1994-95

1994	$	Y	DM	£	Sfr	Ffr
$	-	102.198	1.622	0.653	1.367	5.549
Y (100)	0.978	-	1.587	0.639	1.338	5.429
DM	0.616	62.998	-	0.402	0.843	3.420
£	1.532	156.558	2.485	-	2.094	8.499
Sfr	0.731	74.756	1.187	0.477	-	4.058
Ffr	0.180	18.421	0.292	0.118	0.246	-
1995						
$	-	94.026	1.433	0.634	1.182	4.986
Y (100)	1.064	-	1.524	0.674	1.257	5.305
DM	0.698	65.656	-	0.442	0.825	[illegible]
£	1.578	148.405	2.261	-	1.865	7.873
Sfr	0.8464	79.577	1.212	[illegible]	-	4.222
Ffr	0.200	18.850	0.287	0.127	0.237	-
1994/95 % difference						
$	-	-8.0	-11.7	-2.9	-13.6	-10.1
Y	8.7	-	-4.0	5.5	-6.1	-2.3
DM	13.2	4.2	-	9.9	-2.1	1.8
£	3.0	-5.2	-9.0	-	-11.0	-7.4
Sfr	15.7	6.4	2.2	12.3	-	4.0
Ffr	11.2	2.3	1.8	7.9	-3.8	-

Source: Barclays

By Philip Gawith

Most foreign exchange market participants spend most of their time worrying about movements in spot rates, with average exchange rates at best a curiosity. Not so for companies, which use average exchange rates for budgeting, pricing and accounting purposes.

The accounting practice is for companies to use the average exchange rate over a period when preparing their income statement, while the applicable end of year spot rate is used for preparing the balance sheet.

As the accompanying table reveals, looking at average exchange rates can provide a different perspective on exchange movements from a focus on spot rates. Much was heard last year about the strong yen and D-Mark but it turns out that the Swiss franc was the strongest currency, which made gains against both of these. Also interesting is that the French franc, despite the turbulence associated with presidential elections early in the year, and widespread public unrest in the final weeks, was nearly as strong as the D-Mark.

The dollar provides a good example of the volatility that markets can provide. Between the start of January 1995 and January 1996, the dollar fell by 8.3 per cent against the D-Mark, while rising 3.48 per cent against the yen.

Over the same period, however, its average value fell by 13.2 per cent against the D-Mark, and 8.7 per cent against the yen. To muddy the waters further, from the start of 1995 to the nadir on April 20, the dollar fell by 25.8 per cent against the yen, before recovering over the next two quarters.

For UK citizens, there is not much to cheer about. The US, on average, became a slightly cheaper destination to visit, but Europe and Japan are becoming an increasingly expensive habit.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		549xd	+6	595	476½	5,676	8.1	19.9
Bulmer (HP)		505xd	—	510	384	299.2	3.0	15.9
Burn St Dist		125	-1	148	99	74.1	5.0	26.9
Grand Met		447xd	+4	467	352	9,349	4.2	15.7
Guinness		493	—	536	404	9,780	3.6	15.0
Highland		328	-4	444	317	434.2	3.0	14.8
Kirin Y		791¼	+23	775¼	621	7,912	0.8	29.1
Macallan-Glen		183	-5	217	175	214.8	0.9	40.6
Macdon Martin A		625	—	700	600	85.6	2.2	17.8
Matthew Clark		678	-2	694	532	260.0	4.1	-
Merrydown		108xd	—	140	67	11.8	2.3	-
Seagram $		[illegible]	+⅜	£25⅜	£16⅞	8,270	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cu 2nd Pf		90½xd	—	95	50¼	6.31	19.8	-
Cater Allen		488	+2	525	416	152.8	8.0	7.7
Close Bros		335	—	*340½	216¼	409.0	3.2	14.9
Gerrard & Nat		464	—	469	395	225.4	8.1	15.0
Hambros		201	-3	248	180	385.4	4.7	-
7½pc Cv Pf		101½	-½	112	94	130.7	9.2	-
Joseph (L)		453	—	463	353	24.0	5.2	15.6
King & Shaxson		149xd	—	152	85	39.1	7.6	11.5
Rea Brothers		66	—	67	44	31.4	1.9	26.0
Schroders		1343	-5	*1478	906¼	2,027	1.3	19.1
N/V		1078	-10	*1180	823¼	474.3	1.6	15.4
Smith & Fried		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITL

OTHER INV

INVESTMEN

LEISURE & H

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

AIM - Cont.

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CANADIANS

SOUTH AFRICANS

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OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

TOBACCO

TRANSPORT

WATER

SUPPORT SERVICES

AIM

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init. Notes Selling Buying +or Yield Chge Price Price - Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
Uk. Pvt Advisors 0800 414181 Jersey: 01534 71696
People Clients 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

[illegible]

Prices for dealing January 16

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1250, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Sterling Fund Ltd

[illegible]

Newport Investment Management
73 Front Street, Hamilton, Bermuda
UK: 0171 [illegible] Dealing: 01481 [illegible]

[illegible]

Orion Fund Limited
8 Front St., Hamilton, HM11, Bermuda 441 292 [illegible]
Orion Jan 11 [illegible]

BERMUDA (REGULATED)(**)

Selling Buying +or Yield Price Price - Gross

Bermuda Intl Invest Mgmt Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 01481 710851

[illegible]

Guinness Flight Fund Mngrs (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Rothschild Asset Management (CI) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Latest Fund Prices 24hr service 01481 [illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 [illegible]

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

[illegible]

GUERNSEY (REGULATED)(**)

Selling Buying +or Yield Price Price - Gross

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

[illegible]

Bachmann Global Investment Fund Ltd

[illegible]

CIBC Fund Managers (Guernsey) Ltd

[illegible]

Commercial Union Captives Inv Mngt
CUCM Trust [illegible]

Canada (Channel Islands) Limited

[illegible]

Lazard Fund Managers (CI) Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

[illegible]

Nikko Capital Mngt (Europe) Ltd

[illegible]

Paragon Asset Management

[illegible]

Royal Bank of Canada Intl Money Market Fd

[illegible]

N.S. Advisers (Guernsey) Limited

[illegible]

Yamaichi Capital Mngt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

[illegible]

Bank of Cyprus Group

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

Christows Investments Plc

[illegible]

Coutts & Co Fund Managers Limited

[illegible]

Dunedin Unit Trust Managers (Ireland) Ltd

[illegible]

Federated International Funds Plc

[illegible]

The Fiduciary Trust Global Fund

[illegible]

GAM Fund Management Ltd - Contd.

[illegible]

Guinness Flight Select Funds Plc

[illegible]

Henderson Crosthwaite Investment Co

[illegible]

LGT Asset Management PLC

[illegible]

Morgan Grenfell Investment Funds Ltd

[illegible]

Orbitex Investments (Ireland) Ltd

[illegible]

Pacific International Fund Plc

[illegible]

Royal Bank of Canada Intl Money Market Fd

[illegible]

Scottish Value Management (Ireland) Ltd

[illegible]

Swiss Life Investment Fund - Proteus

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Apollo Fund Plc

[illegible]

Argenta European Hedge Fund plc

[illegible]

Aslan Dynamic Growth Fund plc

[illegible]

Aslan Small Cos Growth Fund plc

[illegible]

Aslan Diversified Equity Fund Plc

[illegible]

Aslan Emerging Markets Fund plc

[illegible]

Aslan Gateway Fund plc

[illegible]

Aslan Growth Fund plc

[illegible]

Asset Korea Fund

[illegible]

Atlantic Korean Smaller Companies

[illegible]

BCW Investment Asset Mngt Ireland Ltd

[illegible]

Bank of Ireland Unit Managers Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

Baring Mutual (Ireland) Ltd

[illegible]

Berkshire KTC Growth Fund Plc

[illegible]

CFP Interest Rate Arbitrage Fund Plc

[illegible]

Capital Wales Fund

[illegible]

Chemical Ireland Fund Administration Ltd

[illegible]

Citibank International Fund Mgmt Ltd

[illegible]

Dragon Korea Fund Plc

[illegible]

Dynamic Pacific Portfolio Fund Plc

[illegible]

Emerging Market Growth Fund Plc

[illegible]

F.I.T. Investment Trust Ltd (a)

[illegible]

Gartmore Fund Managers Ltd

[illegible]

Global Resources Stock Fund

[illegible]

Gordon House Asset Management Ltd

[illegible]

Kleinwort Benson Dartmouth Products Fd Plc

[illegible]

Korea Golden Dynasty Fund Plc

[illegible]

Korea Sprint Fund Plc

[illegible]

Korea Strategic Growth Fund

[illegible]

Korean Emerging Growth Fund Plc

[illegible]

LGT Asset Management PLC

[illegible]

Pacific Fleet Century Fund

[illegible]

Pacific Growth Fund

[illegible]

Paine Webber Midwest Clarke Plc (a)

[illegible]

Quantum Fund Plc

[illegible]

Yellow Sea Investment Fund Plc

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

Ashburton Global Funds Ltd

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

[illegible]

Hill Samuel Investment Mngt (IOM) Ltd

[illegible]

Manx Global Growth Fund Ltd

[illegible]

Sun Life Managers (IoM) Ltd

[illegible]

Walbrook Scandinavian Fund Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

For AXA Fund Management see Sphere International

AXA Equity & Law Intl Fund Mgrs

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

[illegible]

City Financial Admin (IoM) Ltd

[illegible]

Quilter Intl Mngt (IoM) Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

[illegible]

Barclays Intl Funds

[illegible]

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

John Govett Management (Jersey) Ltd

[illegible]

INVESCO International Limited

[illegible]

Jupiter Tyndall (Jersey) Ltd

[illegible]

Lloyds Private Banking (CI) Ltd

[illegible]

Lombard Odier (Jersey) Ltd

[illegible]

Lloyds Bank (CI) UT Mgrs

[illegible]

Morgan Grenfell Fund Managers (Jersey) Ltd

[illegible]

Rothschild Asset Mngt (CI) Ltd

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Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

[illegible]

Save & Prosper International

[illegible]

TSB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

Flemings Group

[illegible]

Foreign & Colonial Mngt (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

[illegible]

Abtrust Fund Mgrs Luxembourg SA (a)

[illegible]

Barclays Diversified Portfolio (a)

[illegible]

Dresdnerbank Asset Mngmt SA (a)

[illegible]

E.T. Investment Management Ltd

[illegible]

Eagle Star - Global Assets Fund (a)

[illegible]

Fidelity Funds (a)

[illegible]

Fleming Group (a)

[illegible]

Foreign & Colonial Emerging Markets Ltd (a)

[illegible]

Guinness Flight Global Fund SICAV (a)

[illegible]

Lloyds Bank Luxembourg

[illegible]

Midland Intl Circuit Fund SICAV (a)

[illegible]

Nikko Capital Management

[illegible]

Nomura Global Fund (a)

[illegible]

PRICOA Worldwide Inv Portfolio Sicav (a)

[illegible]

S-E-Banken Luxembourg SA

[illegible]

Schroder International Selection Fd (a)

[illegible]

Sun Life Global Management Ltd (a)

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

[illegible]

Alliance Capital

[illegible]

Banque Paribas Luxembourg

[illegible]

Dalmeny Management Ltd

[illegible]

Capel-Cure Myers Intl Fd Sicav (a)

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Citicorp Investment Mngt (Luxembourg) SA

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Credit Suisse Asset Mngmt

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Credis Investment Funds - Contd.

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Morgan Stanley Sicav

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Albany International Assurance Ltd - Contd.

[illegible]

Royal Skandia Life Assurance Ltd (z)

[illegible]

The China Fund

[illegible]

Global Asset Management - Contd.

[illegible]

Magellan Emerging Mkts Mngt (Jersey) Ltd

[illegible]

Republic Funds

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

[illegible]

Wells Fargo U.S. IT Fund

[illegible]

Worldwide Limited

NAV Dec 31	$78.10		—	–

Xiphias International Investment Fd Ltd

[illegible]

Zanett Lombardier Ltd

NAV Dec 1	$124.73		—	–

Zweig-DiMenna International Limited

NAV Dec 21	$13856		—	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Exit charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(V) - 0001 to 1100 hours
(W) - 1101 to 1400 hours
(Y) - 1401 to 1700 hours
(Z) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
N - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
K - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
z - Offered price includes all expenses except agent's commission.
y - Previous day's price.
ΨΨ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie regains 3,700 as takeover fever returns

By Steve Thompson,
UK Stock Market Editor

If there were lingering doubts about the equity market's reluctance to follow international bonds higher, they were dispelled yesterday as share prices in London and across the rest of Europe surged higher.

Ever increasing hopes that another series of European interest rate cuts could be in the pipeline, plus a "coffee-time" market raid on Forte by Granada, and more big gains in bonds, bunds and gilts, saw momentum in equities pick up speed all day.

At the close, the FT-SE 100 index easily regained the 3,700 mark and finished at the day's best of 3,710.6 for a rise of 47.9 or 1.3 per cent on the session.

With much of the day's activity concentrated in the FT-SE 100 stocks, the second liners were left trailing but still managed to record good gains. The FT-SE Mid 250 settled 15.9 ahead at 4,037.5.

Granada's mid-morning raid on Forte, orchestrated by the leisure group's joint brokers, ABN Amro Hoare Govett and BZW, gave a massive boost to the equity market's turnover, which topped 900m shares. At 6pm, turnover reached 901.9, with Forte accounting for 18 per cent.

The raid fell short of the 9.9 per cent the bidder was entitled to acquire via market purchase under the rules of the takeover panel. Forte's financial advisers were quick to latch on to news that Granada garnered only 9.2 per cent and that 1.4 per cent had been purchased from marketmakers.

Granada's move pumped more than £300m into the market. This was said to have been responsible for gains in many stocks now viewed as prime takeover targets. Among those promoted as potential targets were Ladbroke, Rank and Thorn, all of which raced higher.

Prospects of further big bids in other sectors also triggered an upsurge in takeover rumours elsewhere. Composite insurers were aggressively bought. Late news of a rights issue from Axa, the French insurance group, was seen as almost certain to produce a burst of takeover speculation in the sector this morning.

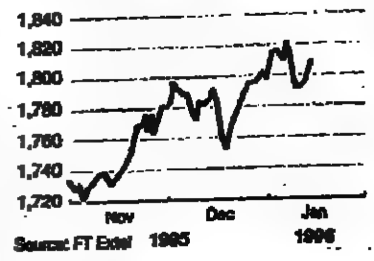
Trading began calmly, with the FT-SE 100 opening modestly higher in the wake of Wall Street's overnight fall, which saw the Dow Jones Industrial Average down 17 points at the close. But a strong opening by bunds and gilts and the Granada raid transformed the market, with the FT-SE 100 ploughing through 3,700 and carrying on up for the rest of the session.

The Dow opened comfortably higher but ran into pockets of selling pressure which left it down 8 points some time after London had closed.

Dealers said remarks by Mr Hans Tietmeyer, president of the Bundesbank, suggesting there was scope for further cuts in German interest rates, increased the chances of the German central sanctioning a rate cut tomorrow. Any move by Germany would probably be followed by the Bank of France, they said.

But expectations of a reduction in UK rates after today's meeting between the Governor of the Bank of England and the chancellor of the exchequer, were over-optimistic, it was thought.

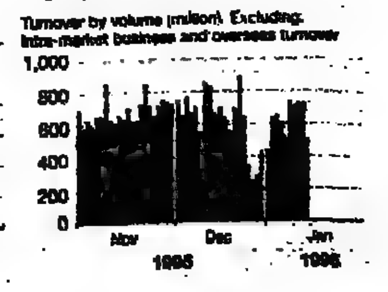
FT-SE-A All-Share Index



Source: FT Extel 1995

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3710.6	+47.9
FT-SE Mid 250	4037.5	+15.9
FT-SE-A 350	1840.5	+20.3
FT-SE-A All-Share	1814.04	+18.78
FT-SE-A All-Share yield	3.77	(3.82)
FT Ordinary index	2760.7	+33.7
FT-SE-A Non Fins p/e	16.81	(16.64)
FT-SE 100 Fut Mar	3733.0	+48.0
10 yr Gilt yield	7.30	(7.40)
Long gilt/equity yld ratio:	2.06	(2.05)

Best performing sectors

1. Leisure & Hotels .... +2.8
2. Retailers, Food .... +2.5
3. Insurance .... +2.1
4. Tobacco .... +2.0
5. Telecommunications .... +2.0

Worst performing sectors

1. Banks, Merchant .... -0.4
2. Household Goods .... -0.4
3. Property .... -0.1
4. Paper, Pckg & Printing 0.0
5. Health Care 0.0

Granada raid on Forte

Granada Group's bid for Forte was the market's main talking point yesterday after brokers acting for the former launched a mid-morning market raid on the latter.

ABN Amro Hoare Govett and BZW moved into the market to acquire nearly 10 per cent of Forte's stock. The two houses were said to have paid 382p and 384p a share, though by the close they had only managed to secure 9.2 per cent. Volume in Forte soared to 162m shares, an all-time record for a single day's trading in the stock.

Analysts said a late afternoon statement from Mr Ian Lang, secretary of state for trade and industry, saying Granada must satisfy competition concerns before proceeding with the bid was "nothing to worry about". Indeed, Granada welcomed the statement, saying it had already offered to give such undertakings.

Both Granada and Forte continued to make the rounds of city institutions yesterday, with many market watchers suggesting yesterday's raid helped Granada pull well ahead in the bitterly fought contest. However, one cautious analyst warned: "Forte still has ability to surprise."

Granada continued to power ahead and ended the session 23 up at 693p, while Forte jumped 14¼ to 380½p, a new high.

Composite insurers rallied across the board in response to newspaper comment focusing on the potential for takeovers within the sector.

There was further help from a review by Cazenove. The broker does not comment on market talk, but dealers said it was a buyer of Royal Insurance, up 9 at 393p, and Commercial Union. Knocked previously by a critical note from Kleinwort Benson on environmental liabilities, CU's shares rose 6½ to 616½p. Cazenove also joined Credit Lyonnais Laing and NatWest Securities in recommending Sun Alliance, 13 higher at 379p.

Guardian Royal Exchange, the sector's takeover favourite which had already climbed 38 per cent in the past year, added an extra 13½ at 269½p.

After the market closed last night, Axa, the French insurer, said it would raise FFr5.9bn (£770m) in a one-for-seven share issue at FFr250 a share. That is expected to increase speculation about sector takeover bids.

Zeneca talk

Zeneca jumped yesterday as long-standing takeover speculation continued to build. Much of Zeneca's strength represented arbitrage money pouring out of Forte following Granada's raid for around 90m shares and looking for a new bid prospect.

In fact, analysts remain cynical about the rumours, saying that at current levels Zeneca would be an expensive prize. One broker said a cash bid of £15 a share, which assumes an acceptable premium to the underlying price, would represent a 40 per cent premium over the price paid by Glaxo for Wellcome.

Nevertheless, the stories – which tend to favour Roche of Switzerland as at least one party involved – refuse to die down. Roche refused to comment on reports that it was planning to raise £12bn in the Eurobond market. A spokesman said: "As long as Roche willingly says it can grow from internal strength on the one hand but is ready to acquire when the price makes sense we will continue to be confronted with rumours." Yesterday Zeneca leapt 43 to 1291p, while Roche underperformed a rising Swiss market.

Leading pharmaceuticals stocks, dull for a while, because of the impact of a weak Wall Street, were back in the spotlight yesterday.

Glaxo Wellcome forged ahead 16½ to 902p as ABN Amro Hoare Govett featured the stock as its first choice in its latest sector review. The broker said that, at the time of writing the review, the shares were trading at an 8 per cent discount to the sector while SmithKline Beecham and Zeneca were trading at respective premiums of 3 per cent and 5 per cent.

However, Hoare also likes SmithKline, arguing that in spite of 36 per cent outperformance against the FT-SE-A All-Share index for the company, it forecasts sales growth of 9 per cent a year until the millennium. SmithKline "A" put on 5 at 690p.

Chiroscience improved 9 to 323p on news that it has gained regulatory approval for a second phase of trials of a treatment for hormonally sensitive breast cancers.

Burmah Castrol moved forward 12 to 978p, helped by a recommendation from Yamaichi. Also, cash has been moving in to second-line oil issues as investors took profits in the oil majors.

BT squeezed forward 10 to 377½p. Merrill Lynch said: "Given a considerable level of pessimism is already built into the share price, we believe there may be considerable upside if BT receives favourable outcomes from the MMC."

National Grid was weak as oversupply of shares continued to depress the stock. Southern Electric is to pass just under 11 per cent of the Grid to institutions next week and Hanson still retains more than 12 per cent, which it is expected to distribute. The shares lost a half-penny at 195½p.

A broker's recommendation helped lift leading food retailers. SBC Warburg upgraded the sector from a "neutral" to "overweight" recommendation.

The broker said the move reflected "a more favourable macro-economic and political background for the food retailing sector in 1996." It added: "The first half of this year will feature less margin instability than the second half of last year."

Its favourite in the sector is Argyll, where the shares appreciated 11 to 356½p in trade of 5.2m, followed by Tesco, which gained 12½ at 315½p on volume of 7.9m. Tradepoint, the electronic order-driven trading system, was responsible for 15 per cent of the turnover in the stock.

Warburg regards house stock J. Sainsbury as a "good buy for the long term". Shares in the group, boosted recently by recommendations from other brokers, strengthened 8½ to 423½p.

Investors that relinquished Forte stock following yesterday's market raid were said to have reinvested most of the proceeds in leisure related stocks.

Ladbroke ended the session as the best performing stock in the Footsie after the shares jumped 8½ to 164½p in trade of 11m. Rank Organisation also benefited from the reinvestment and the shares hardened 10 to 455p. Thorn EMI gained 27 at 1626p.

Talk of equipment problems on the Challenger tank weakened Vickers. The shares gave up 4 to 251p.

There was a squeeze in TI Group which sent the shares climbing 11 to 481p. There was talk in the market suggesting the group maybe readying itself to make an acquisition, a move that could see the group making a rights issue to fund the acquisition.

Elsewhere in the sector, Lucas Industries hardened 5½ to 183½p in active trade that brought volume of 8m. Sentiment was helped by a Merrill Lynch recommendation. The company has also been seeing institutions.

Smiths Industries rose 13 to 642p, after talk of a large order for Boeing for civilian aircraft. Smiths is a big contractor on the Boeing aircraft.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10	Yr ago	*High	*Low
Ordinary Share	2760.7	2727.0	2720.9	2720.9	2725.9	2345.0	2760.7	2238.3
Ord. div. yield	4.04	4.06	4.06	4.06	3.98	4.46	4.73	3.94
P/E ratio net	16.45	16.29	16.25	16.28	16.06	17.69	21.33	15.35
P/E ratio nil	16.26	16.08	16.05	16.07	15.86	17.13	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2760.7 16/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	888	Total Highs	163	Total contracts	47,186
Total Falls	403	Total Lows	34	Calls	[illegible]
Same	1,341			Puts	[illegible]

Jan. 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3690.0	3727.0	+43.0	3734.0	3689.0	11777	62904
Jun	3715.0	3728.0	+43.0	3722.0	3715.0	7	1121

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4060.0	+10.0	-	-	0	3412

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock
-	F.P.	23.0	125	115	Century Inns
-	F.P.	55.5	114	108	Cox Insurance
-	F.P.	14.5	60	52	†Crown Products
-	F.P.	19.5	90	72	†Ormatek
-	F.P.	25.6	86	73	Jupiter Split Cap
-	F.P.	51.5	101	98	Jupiter Split Inc
-	F.P.	89.0	259	258	Jupiter Split Units
-	F.P.	9.27	¼	¼	†Mountcashel
-	F.P.	8.71	76	75	†Nihon Petm
-	F.P.	0.13	6	5	†Oo Rosas
-	F.P.	1.07	105	100	†Revelation P'dity
-	F.P.	3.15	3¼	3	†Rushmere Wyvrn
-	F.P.	0.78	7½	6½	†SkyePharma Wts

FT GOLD MINES INDEX

TRADING VOLUME

FT-SE Actuaries Share Indices — The UK Series

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 16 / Sch)

BELGIUM/LUXEMBOURG (Jan 16 / Frs.)

CZECH REP (Jan 16 / Koruna)

DENMARK (Jan 16 / Kr)

FINLAND (Jan 16 / Mka)

FRANCE (Jan 16 / Frs.)

GERMANY (Jan 16 / Dm.)

GREECE (Jan 16 / Drachmae)

ITALY (Jan 16 / Lire)

NETHERLANDS (Jan 16 / Gs.)

NORWAY (Jan 16 / Kroner)

POLAND (Jan 16 / Zloty)

PORTUGAL (Jan 16 / Escudo)

SPAIN (Jan 16 / Pta.)

SWEDEN (Jan 16 / Kronor)

SWITZERLAND (Jan 16 / Frs.)

TURKEY (Jan 16 / TK Lira)

PACIFIC

JAPAN (Jan 16 / Yen)

HONG KONG (Jan 16 / H.K.$)

INDONESIA (Jan 16 / Rupiah)

MALAYSIA (Jan 16 / MYR)

NEW ZEALAND (Jan 16 / NZ $)

SINGAPORE (Jan 16 / S$)

AUSTRALIA (Jan 16 / Aust$)

SOUTH KOREA (Jan 16 / Won)

TAIWAN (Jan 16 / TW $)

THAILAND (Jan 16 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 16 / Can $)
4 pm close

MONTREAL (Jan 16 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jan 16 / Rand)

INDICES

	Jan 16	Jan 15	Jan 12	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	17310.17	17322.20	17658.20	3/1/96	8631.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2245.1	2233.0	2239.4	2274.90	8/1/96	1823.30	8/2/95
All Mining(1/1/80)	1004.7	1005.5	1019.0	1041.80	8/1/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	366.27	364.63	367.22	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1033.09	1024.05	1031.06	1056.31	2/1/95	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1627.32	1613.94	1613.41	1627.32	16/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	48554.0	48465.0	48654.00	15/1/96	21382.08	9/3/95
Canada							
Metals Mins♦(1975)	(u)	4732.57	4790.19	5265.37	23/11/95	3806.83	1/3/95
Composite♦(1975)	(u)	4739.70	4753.01	4855.36	9/1/96	3981.41	30/1/95
Portfolio§§(4/1/83)	(u)	2328.54	2327.39	2363.53	9/1/96	1853.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5764.53	5780.39	6393.10	11/7/95	4576.80	9/3/95
Denmark							
CopenhagenSE(3/1/83)	385.89	380.38	379.28	385.89	16/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1673.91	1678.23	1688.67	2332.22	14/9/95	1595.30	29/3/95
France							
SBF 250(31/12/90)	1284.60	1270.25	1262.73	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1952.10	1924.40	1907.58	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	852.59	848.95	845.90	852.59	16/1/96	708.87	30/3/95
Commerzbank(1/12/53)	2469.50	2458.3	2448.3	2469.50	16/1/96	2016.70	30/3/95
DAX‡(30/12/87)	2376.87	2359.05	2356.45	2376.87	16/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	951.99	935.90	919.46	992.59	4/8/95	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10671.15	10634.50	10540.01	10671.10	16/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3015.48	3022.51	3010.21	3632.08	2/1/95	2822.16	28/11/95
Indonesia							
Jakarta Comp.(10/8/82)	556.43	563.90	550.99	563.90	15/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2298.65	2280.85	2286.55	2298.91	9/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	580.94	579.24	584.69	680.54	10/2/95	547.78	5/12/95
MIB General(2/1/96)	985.0	982.0	982.0	1019.00	3/1/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20667.07	(c)	20287.42	20689.00	8/1/96	14485.49	3/7/95
Nikkei 300(1/10/82)	300.73	(c)	298.07	307.98	5/1/96	222.26	13/6/95
Topix(4/1/68)	1603.36	(c)	1592.21	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2101.65	(c)	2081.23	2130.86	4/1/95	1441.90	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1069.66	1072.55	1061.77	1095.94	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2909.24	2934.13	2911.05	5/1/96	1447.52	27/2/95
Netherland							
CBS TtRtnGen(End 83)	548.3	545.0	547.4	551.00	8/1/96	422.90	23/3/95
CBS All Shr(End 83)	332.0	330.0	331.5	333.80	8/1/96	266.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2100.96	2110.76	2112.73	2206.02	20/10/95	1801.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1279.89	1280.15	1294.62	1315.28	8/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2776.75	2778.86	2747.26	2898.12	10/7/95	2196.48	20/11/95
Portugal							
BTA(1977)	2597.6	2571.6	2560.1	2811.60	9/1/95	2412.99	22/11/95
Singapore							
SES All-S'pore(2/4/75)	581.61	582.73	582.29	582.73	15/1/96	472.90	23/1/95
South Africa							
JSE Gold(28/9/78)	1609.7♥	1580.3	1628.3	2023.08	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8577.8♥	8479.0	8444.4	8577.80	16/1/96	6222.08	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	868.27	865.46	878.64	1027.37	2/1/95	847.09	27/5/95
Spain							
Madrid SE(30/12/85)	327.46	325.99	326.06	329.93	4/1/96	284.08	23/3/95
Sweden							
AffarsvarldenGen(1/2/37)	1719.8	1712.2	1722.8	1872.10	19/9/95	1439.80	28/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1525.80	1517.81	1538.88	1578.89	4/1/96	1174.63	13/3/95
SBC General(1/4/87)	1130.11	1125.30	1141.72	1166.59	4/1/96	878.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	5015.36	5027.01	4962.80	7081.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1371.94	1376.80	1375.91	1472.04	10/7/95	1135.69	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	47001.5	46237.2	48318.4	54653.90	21/4/95	24844.30	23/1/95
WORLD							
MS Capital Intl$(1/1/70)	728.6*	725.9	728.1	743.00	5/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1522.86	1510.88	1514.02	1535.57	4/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1362.56	1345.18	1349.21	1370.55	3/1/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	361.13	358.50	361.13	15/1/96	262.87	23/1/95
ING Brngs Emrg(7/1/92)	156.31	156.18	155.75	158.07	2/1/95	117.18	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Jan	1948.0	1959.0	+26.0	1960.0	1942.0	18,542	33,087
Feb	1956.0	1965.5	+25.5	1965.0	1950.0	715	1,080
■ DAX							
Mar	2387.0	2392.5	+16.5	2385.0	2383.0	21,466	–
Jun	2401.0	2504.5	+17.0	2407.0	2397.0	737	–
■ OMX							
Jan	1320.00	1330.00	+13.00	1335.75	1320.00	5,345	17,253
Feb	1330.00	1338.00	+10.50	1340.25	1330.00	1,345	3,981
■ SOFFEX							
Jan	3240.0	3247.0	+21.5	3252.0	3204.0	10,874	14,558
Feb	3248.0	3252.0	+18.0	3255.0	3215.0	2,589	6,568

** Sat Jan 13: Taiwan Weighted Price 5025.30; Korea Comp Ex 874.46. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 258.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 16 - 2379.43 +18.05.

US INDICES

Dow Jones	Jan 15	Jan 12	Jan 11	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5043.78	5061.12	5066.10	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.35	105.31	105.21	105.58 (10/1/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1889.35	1905.53	1911.39	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	225.10	225.17	226.66	226.82 (5/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 5059.42 (5114.23) Low 5012.71 (5000.07) (Theoretical♠)
Day's High 5078.82 (5090.02) Low 5036.92 (5022.83) (Actual♠)

Standard and Poors	Jan 15	Jan 12	Jan 11	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	599.82	601.81	602.69	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	702.07	705.13	707.36	731.65 (13/12/95)	546.28 (3/1/95)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	58.52	58.72	58.16	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	322.29	322.95	323.28	332.83 (3/1/95)	250.73 (3/1/95)	332.83 (3/1/95)	4.46 (25/4/42)
Amex Mkt Val	532.70	534.64	537.10	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	988.57	1008.23	1011.10	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 12	Jan 5	Dec 29	Year ago
Dow Jones Ind. Div. Yield	2.33	2.28	2.30	2.73
	Jan 10	Jan 3	Dec 27	Year ago
S & P Ind. Div. yield	2.02	1.95	1.98	2.45
S & P Ind. P/E ratio	18.30	18.85	18.75	18.71

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron	10,729,800	30¾	–2⅛
Kmart	5,345,900	6½	–⅛
Telefonos	4,835,200	32⅝	–⅜
Motorola	4,248,200	48⅝	–1
IBM	3,742,500	83¼	–2⅛
Texas Inst	3,455,300	42⅝	–2⅞
Compaq	3,371,900	44½	–2
Woolworth	3,281,100	10½	–⅛
AT&T	2,850,400	66	+¼
Citicorp	2,552,500	63¼	+¼

■ TRADING ACTIVITY

● Volume (million)	Jan 15	Jan 12	Jan 11
New York SE	305.789	379.282	410.047
Amex	15.791	17.929	18.077
NASDAQ	430.377	495.514	525.272
NYSE			
Issues Traded	3,081	3,069	3,084
Rises	981	1,104	1,438
Falls	1,201	1,187	919
Unchanged	779	778	729
New Highs	80	73	47
New Lows	27	29	24

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	603.35	605.00	+1.80	606.20	603.30	63,784	196,607
Jun	611.30	610.45	+1.80	611.50	610.40	132	6,481
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
■ Nikkei 225							
Mar	20390.0	20580.0	+390	20620.0	20370.0	20,015	142,892
Jun	20370.0	20550.0	+300	20570.0	20370.0	2,074	20,588

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 16, 1995

	Stocks Traded	Closing Prices	Change on day
Takara Shuzo	8.8m	1,170	+40
Toshiba Corp	7.8m	825	+2
Nippon Steel	7.2m	360	
NKK Corp	5.9m	293	+7
Hyogo Bank	5.3m	1	
Hitachi	5.2m	1,040	+30
Kurabo Inds	5.0m	470	-15
Koa Oil Co	4.1m	1,160	-30
Fujitsu	3.7m	1,150	-10
Mitsubishi Hvy	3.4m	840	

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close January 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¼	12⅛	AAR	0.48	2.2	25	544	21⅝	21⅛	21⅜	-¼
48¼	35	AMP	0.92	2.4	19	6451	38	36¾	37⅝	-¼
80¼	53⅜	AMR			16	2504	71½	70¾	71½	+⅝
47⅞	38⅛	ASA	1.71	4.0	28	709	43	42⅞	42⅝	-¼
44¾	30¾	AbbtL x	0.84	2.1	19	33059	40⅞	39¾	40	-¼
18⅞	12	AbitiBl Pr	0.40	2.8	7	893	14⅞	14½	14½	-¼
28½	21	ABM Ind x	0.70	2.5	15	9	28⅛	28⅛	28⅛	-⅛
17½	13⅛	Acptoceis			10	298	15¼	14½	15¼	+¼
40	21⅞	ACE Ltd	0.56	1.4	9	827	39	38	38⅝	-⅛
9⅞	8⅛	ACM Gvt In	0.48	5.1	8	517	9½	9¼	9⅜	+⅛
7¾	6½	ACM GvOpp x	0.66	8.9		14	7⅜	7¼	7⅜	+⅛
7½	6¾	ACM Gvt Sp x	0.75	10.7		1073	7	6⅞	7	+¼
8¾	7¼	ACM Gvt Sd	0.24	2.8		1505	8½	8⅝	8½	
9½	7⅝	ACM Man x	0.90	10.0		370	9⅛	8⅞	9	
29¼	10¼	AcmeCl	0.48	2.7	32	90	18⅛	17¾	18	
38¼	7⅜	Acme Elect			70	180	8⅝	8½	8½	
34½	23¾	Acordia	0.72	2.5	15	16	28¼	28¼	28¼	-¼
16¾	10⅛	Acuson			39	107	12⅝	12½	12½	-⅛
19⅝	15⅝	Adams Expr	0.48	2.6	0	194	18¾	18⅝	18¾	+⅛
38⅞	27⅛	AdvMic				827898	19¾	17⅞	19½	+1⅞
9¾	5	Advest Grp	0.16	1.8	12	124	8⅞	8⅞	8⅞	
27½	16½	Advo Inc	0.10	0.4	18	509	24¼	23⅞	24	-¼
46¾	24.80	Aegon	1.28	2.9	17	133	45	44⅝	45	-⅜
5⅞	3⅞	Aerfix			7	276	3⅞	3⅝	3⅞	+⅜
76¾	46¾	AetnaL	2.76	3.8	34	10258	71½	70⅛	71⅜	+1¼
46	31⅞	Aflac	0.52	1.2	13	1346	45¼	44⅝	44⅝	-¼
28⅛	16	Ahmnsn	0.88	3.4	8	12388	26¼	25⅞	25¾	+⅜
59½	43⅞	AirPrC	1.04	2.0	16	2278	53⅝	52	52⅞	-⅞
29½	18⅜	Airbor Frt	0.30	1.2	24	945	26½	25	25⅞	-⅞
35	19⅝	Airgas Inc			27	748	33¼	30⅞	31	-2
18	13⅞	Airlease	2.00	11.3	12	25	17¾	17⅝	17¾	
35⅝	24	AirTch			108	7359	27⅛	26¼	27	+½
21⅜	13½	Alaska Air	0.20	1.2	17	581	18¾	18½	18½	-¼

Continued on next page

4 pm close January 16

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
60¼	38⅝	SBC Cm x	1.65	2.9	19	8630	57⅞	55⅝	57⅞	+2⅛
28⅝	20½	Scana Corp	1.44	5.2	17	709	27⅝	27½	27⅝	+⅛
18½	14½	Scecorp x	1.00	5.4	11	6183	u18½	18	18½	+⅜
11¼	5⅞	SchawkA	0.26	3.5	18	54	7⅝	7⅜	7⅜	-¼
50¼	37¼	SchererRP			23	248	44¼	43¾	44	+¼
60¼	35½	SchrPl	1.16	2.2	19	7692	53½	51⅝	53⅛	+1⅝
70⅞	50⅛	Schlmb	1.50	2.2	25	7443	67½	66¼	66⅞	+⅝
29	11¼	Schwab(C)	0.16	0.8	21	4278	20⅛	18¾	19⅞	+1
25¾	20⅞	SchwMaud				2104	u25¾	25	25⅞	+½
24⅞	11⅜	SciAtl	0.06	0.4	19	2431	14	13⅝	14	+⅛
20	15⅛	Scotsman	0.10	0.6	11	36	17¾	17⅝	17¾	+⅛
40⅝	26⅞	Scripps	0.52	1.3	28	627	39¼	38⅞	38⅞	-¼
21½	13⅜	ScuddrNAsF	0.02	0.1		351	17⅞	17⅝	17⅞	+¼
11⅞	8⅝	ScuddrNEuF	0.16	1.4		503	11⅝	11½	11⅝	+⅛
20	13⅞	SeaCnB	0.70	4.1	1	12	17	16⅞	17	+⅛
16¼	14⅝	SeaCt 4625	1.46	9.4		2	15½	15½	15½	+¼
54¾	23⅝	S'gate				815888	49¼	47⅞	48⅝	+1¼
39½	25⅝	Seagrm	0.60	1.7	24	3214	35⅞	35⅜	35⅞	+¼
22½	15¼	Seagull En			69	863	19¼	18⅝	18¾	-⅜
30¾	18	Sealed Air			23	930	27¾	26¾	27⅛	+⅛
43⅝	30⅜	SearsR	0.92	2.2	11	8507	u43⅝	42¼	42½	-⅜
20½	16⅞	SecCapStl	1.24	6.3	23	910	19⅞	19⅝	19¾	
12⅞	10⅞	Seligm Sel x	0.84	6.7		81	12¾	12⅝	12⅝	-⅛
30¼	16¼	Sensormat	0.22	1.2	16	1092	18⅛	17¾	17⅞	
34¼	21⅞	SequaA	0.60	1.8	15	25	u34¼	33⅝	33⅝	-⅜
41	23	SequaB	0.50	1.2	21	5	40½	40½	40½	
44	26¼	ServCp x	0.44	1.0	24	2986	42¾	41⅞	42⅝	+⅛
30½	21½	SvMstr x	0.98	3.2	14	700	29¾	29⅛	29⅝	+⅜
7⅞	4⅛	SrvMerch			6	1788	4⅞	4¾	4⅞	
57½	22½	SGSThm			36	5391	30¼	28½	30¼	+⅞
17⅞	12	Shaw Ind	0.30	2.3	14	2377	13½	13⅛	13⅛	-⅜
13⅝	7⅞	Shelby Wll	0.28	2.3	43	23	12¼	12⅛	12¼	
83⅛	64¼	ShellTr	2.88	3.7	18	1439	77⅞	77½	77⅞	+⅛
42	32	SherW	0.84	1.8	17	917	40⅞	40	40⅞	+½

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1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19⅝	7¼	Worldcorp			4	1200	9½	9⅜	9⅜	-⅛
34⅞	28¼	WPS Rs	1.88	5.5	15	157	33⅞	33⅝	33⅞	+¼
55¾	47⅞	Wrigley x	0.88	1.5	29	677	54	53⅛	54	+⅞
46½	19⅞	Wyle Labor	0.28	1.0	11	520	28⅛	27⅝	28⅜	-⅛
20¾	12⅞	Wynns Int	0.35	1.8	11	182	19⅛	18	18	-⅞

- X - Y - Z -

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
146⅝	98½	Xerox	3.00	2.2	16	4542	134½	130½	134	+3⅛
52½	39¾	Xtra Corp	0.64	1.6	12	343	41	40¾	40⅞	
25¾	19½	Yankee Egy	1.38	5.2	20	35	24⅜	24¼	24¼	-⅛
46½	34¼	York Int	0.24	0.5	16	251	45⅞	44⅞	44¾	-⅞
4½	2½	Zapata	0.14	4.3	23	63	3¼	3¼	3¼	
12¾	6	ZenithEl			4	153	6¼	6⅛	6¼	+⅛
24⅝	19⅞	Zenith Nat	1.00	4.5	31	218	22	21⅝	22	+⅛
6⅞	6⅛	Zenix Inc	0.72	10.7		165	6¾	6⅝	6¾	
17⅞	12⅞	Zero	0.44	2.8	17	31	16¾	16⅝	16¾	-⅛
28	16⅞	Zurn Ind	0.40	1.9	19	582	21½	21	21½	+⅛
11½	10¼	Zweig Fund x	1.12	10.2		124	11⅛	11	11	
9	7⅝	Zweig Tot	0.84	9.6		666	8¾	8½	8¾	+⅛

Price data supplied by Telekurs

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NASDAQ NATIONAL MARKET

4 pm close January 16

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 16

[illegible]

FINANCIAL TIMES

AMERICA

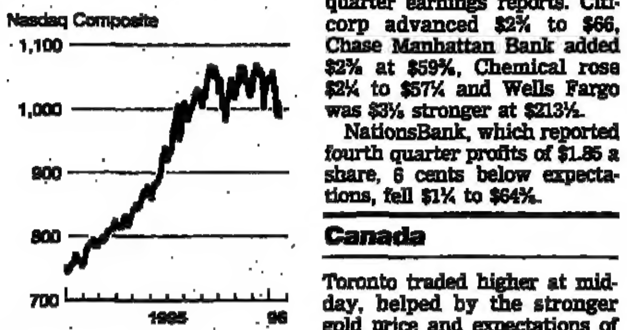
Dow volatile, further reverse for Nasdaq

Wall Street

US shares were mixed by early afternoon after a volatile morning that had seen prices rise strongly at the opening before falling back later in the session, *writes Lisa Bransten in New York*.

Technology shares were especially volatile: the Nasdaq composite, which is weighted toward that sector, jumped more than 7 points in early trading to reverse some of the battering it had taken so far this year. By 1pm the index was off 7.54 at 981.03.

The Dow Jones Industrial Average rose 25 points at the start of trading, before retracing all of its gain in the early afternoon. At 1pm the Dow was 9.39 lower at 5,034.39. The more broadly based Standard & Poor's 500 added 0.59 at 600.41, while the American Stock Exchange composite fell 2.14 to 530.56. Volume on the NYSE came to 231m shares.



Source: FT Extel

Investors were anxiously awaiting an earnings report from Intel, the second largest company on the Nasdaq, which was due out after the market closed. Shares in the semiconductor group initially added $1⅛, but by early afternoon were off $⅛ at $53.

Lam Research was volatile after the maker of semiconductor production equipment reported second quarter results of $1.12 a share, 7 cents a share ahead of the mean analyst estimate. The shares initially climbed $3⅝, then fell into negative territory before stabilising with a gain of $⅝ at $34.

The Dow did get some support from a bounce in IBM: by early afternoon the shares were up $1⅛ at $84½.

Commercial banks were mostly stronger after a wave of stronger-than-expected fourth quarter earnings reports. Citicorp advanced $2⅜ to $66, Chase Manhattan Bank added $2⅝ at $59⅝, Chemical rose $2¼ to $57¼ and Wells Fargo was $3½ stronger at $213½.

NationsBank, which reported fourth quarter profits of $1.85 a share, 6 cents below expectations, fell $1¼ to $64⅝.

Canada

Toronto traded higher at midday, helped by the stronger gold price and expectations of a strong cash inflow from Canadian pension plan contributions seeking a tax haven in coming weeks. The TSE 300 composite index was 10.61 up by noon at 4,750.31.

Mark Resources picked up C$⅛ to C$7¼ in heavy trade after Enerplus Energy Services announced a rival proposal to Penbina's hostile C$7 a share offer. Enerplus, which manages about C$500m of oil and gas assets for funds for public and private investors, proposed reorganising Mark into a royalty trust fund structure.

EUROPE

Rising dollar, rate cut hopes lift senior bourses

The combination of a rising dollar and rate cut hopes was good for senior bourses. **FRANKFURT** set yet another *all-time high*, *the Dax index* closing the post-bourse 18.05 ahead at an Ibis-indicated 2,379.43, with its core cyclicals well to the fore.

Turnover climbed from DM9.9bn to DM11.4bn. There were gains of more than a percentage point from the big three chemicals, BMW and MAN in automotive stocks, and Mannesmann in engineering; Volkswagen and the fork lift specialist Linde rose in excess of 2 per cent.

DB Research lifted its earnings per share forecasts slightly for Lufthansa for 1995, 1996 and 1997, and the shares rose DM8 or 3.8 per cent to DM26.90. Mr Jürgen Pieper at DB Research said that the likelihood of European Union approval for Lufthansa's alliance with Scandinavian Airlines System (SAS) made Lufthansa shares a short term trading buy, but DB Research's recommendation remained unchanged at neutral.

PARIS looked for a cut in domestic interest rates tomorrow, and the CAC-40 index advanced by 27.70 or 1.4 per cent to 1,952.10, its highest close since last August. Turnover was above the recent daily average at FFr5.2bn.

FT-SE Actuaries Share Indices

Jan 16							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1516.01	1518.13	1519.02	1518.36	1520.17	1521.34	1521.73	1522.85
FT-SE Eurotrack 200	1612.00	1612.73	1613.86	1614.28	1614.82	1617.08	1615.54	1617.53

	Jan 15	Jan 12	Jan 11	Jan 10	Jan 9
FT-SE Eurotrack 100	1510.88	1514.02	1504.40	1510.98	1527.11
FT-SE Eurotrack 200	1602.89	1602.83	1584.49	1592.87	1610.51

Base 1000 (26/10/90); High/day: 100 - 1523.28; 200 - 1618.52 Low/day: 100 - 1516.01 200 - 1611.53 † Partial

Nevertheless, there were mixed fortunes in the financial sector. BNP rose FFr10.30 to FFr212.70 and CCF advanced FFr6.80 to FFr244.80. But Credit Foncier de France, which is not a CAC constituent, slipped FFr4.80 to FFr59.30, continuing a recent downtrend on worries about its ability to repay loans.

Among other second-line issues Moulinex rose FFr6.30 to FFr81 following a slight increase in sales for the nine months to December 1995. Remy Cointreau slipped 90 centimes to FFr150.10, recovering from a session low of FFr145.20, as it said that it planned to cut its debt burden over the next few months, from FFr8.6bn to FFr6.5bn. Some analysts, however, were worried by weakness in its cognac division.

AMSTERDAM saw dollar-associated strength in heavily weighted internationals such as Royal Dutch. The AEX index put on 2.79 to 504.56, a new record closing high.

Royal Dutch put on Fl 1.80 at Fl 221.20 while Philips also came in strongly, adding Fl 1.20 to Fl 63.50, and Unilever made Fl 2.40 to Fl 230.30.

News that DSM was to expand its Brazilian operations helped the stock rise Fl 2.40 to Fl 137, in spite of a UK broker's downgrade.

ZURICH overcame early weakness, encouraged by the dollar, Wall Street and rate hopes. The SMI index picked up 20.9 to 3,254.8.

Roche certificates, sharply lower on Monday, rose SFr10 to SFr8,940, as the company declined to comment on a new round of speculation in London that it might bid for Zeneca of the UK, possibly in a combined approach with Merck.

One analyst, who doubted that a deal was in the air, noted that Zeneca's speciality and agro divisions would not fit with Roche or Merck's operations, while, even for a company such as Roche, raising the $32bn cost of Zeneca would be much more of a problem than finding the $5.6bn paid in 1994 for the US pharmaceuticals group, Syntex.

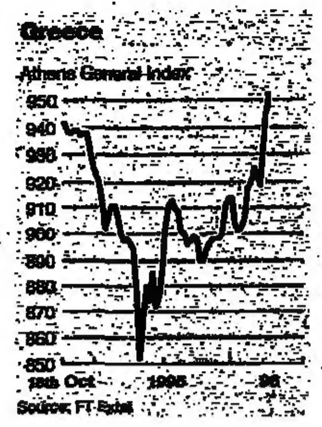
Elsewhere among the pharmaceuticals, Sandoz rose SFr15 to SFr999, ahead of full year sales figures, tomorrow while among the banks, further speculative buying pushed UBS up SFr16 to SFr1,344.

MILAN turned from politics to a firmer domestic bond market and lira. The Comit index picked up 1.70 to 580.94 while the real-time Mibtel index jumped 147 or 1.6 per cent to 9,324.

Olivetti, however, was a major casualty, dropping L74 or 6.5 per cent to L1,140 on reports that a number of domestic and foreign brokers, who had visited the company in recent days, were downgrading their 1996 earnings forecasts sharply.

Montedison picked up L17.2 to L991 as speculation about a rights issue faded: analysts said that a cash call by the group was unlikely with the share price below its nominal value of L1,000.

MADRID's revival was led by two of its privatisation stocks, Repsol and Telefónica, up Pta60, or 1.5 per cent to Pta4,035 and by Pta25, or 1.4 per cent to Pta1,795 as the general index rose 1.47 to 327.46.



Source: FT Extel

STOCKHOLM reflected the dollar with a rise of SKr4, or 3.1 per cent to SKr134.50 in Volvo B, and overnight gains by drug companies in New York with Astra A rallying by SKr7.50, again 3.1 per cent, to SKr253. The Affärsvärlden General index rose 7.6 to 1,719.8.

ISTANBUL recovered Monday's 2 per cent fall despite the lack of clarification on the political front. The composite index rose 1,764.33 to 47,001 as turnover soared to TL14,160bn from Monday's TL11,070bn.

ATHENS welcomed the resignation of the prime minister, Mr Andreas Papandreou, after two months of political uncertainty. Equities jumped by more than 2 per cent in early trading in reaction to the decision, which was announced overnight. The general index ended up 16.09 to 951.99 in heavy turnover of DKr14.04bn.

Analysts commented that Mr Papandreou's decision to stand down had already been discounted by most investors, but that it finally cleared the way for a smooth transition in the ruling Panhellenic Socialist Movement. There was general agreement that either of the leading contenders for the vacant post, the defence minister Mr Gerassimos Arsenis, or the former industry minister, Mr Costas Simitis, would be welcomed by the markets.

VIENNA also recovered the losses made on Monday as investors were encouraged by strength in neighbouring markets. The ATX index ended up 9.04 or 1 per cent at 1,033.09.

Maculan, the construction group, added Sch10 or 4.3 per cent to Sch245.

Written and edited by William Cochrane, Michael Morgan and John Pitt

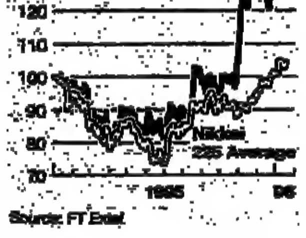
ASIA PACIFIC

Soros accolade caps good day for Nikkei, up 1.4%

Tokyo

Tokyo was treated to a last-minute accolade from the financier Mr George Soros, *writes Our Markets Staff*. Just before the end of trading, Mr Soros said that Japanese equities offered the best opportunity for world investors, helping the Nikkei average to close above the 20,500 level.

A stronger dollar against the yen, along with index-linked and arbitrage-related buying, had given the 225 index a good session. It closed 279.65 or 1.4 per cent higher at the day's best of 20,567.07, up from a low of 20,303.47.



Source: FT Extel

Volume was moderate, down from 596m shares to 418m. *Winners outnumbered losers* by 670 to 402, with 148 issues unchanged. The Topix index of all first section stocks advanced 10.87 or 0.7 per cent to 1,603.08 and the Nikkei 300 by 2.66 or 0.9 per cent to 300.73.

In London the ISE/Nikkei 50 index eased 0.81 to 1,410.95.

Blue chips were mixed after weakness in Wall Street's high-tech stocks. Toshiba, the second most active, recovered to Y825, up Y2, after a low of Y814. Sony rose Y100 to Y6,550, but Fujitsu lost Y10 at Y1,150.

Carmakers were firm, helped by a report that sector profits would rise if the dollar remained above Y105. Toyota put on Y40 at Y2,250.

Speculative spirits rose again, almost literally. The most active issue in the first section was Takara Shuzo, the liquor stock, which rose Y40 to a 1995/96 high of Y1,170, encouraged by talk about its gene treatment research. However, Takara said it did not have any fresh research news.

Roundup

Reports that the government might soon issue measures to boost the market helped **SEOUL** finish slightly higher. The composite index firmed 2.81 to 868.27, but losers still led gainers by 449 to 279.

Small-capitalisation electrical and electronic shares, as well as selected companies with forecasts of improved corporate earnings, were purchased. Haitai Electronics added Won600 at Won16,300 and Hankook Metal went limit up to Won8,690.

Elsewhere, Dongbu Steel put on Won500 at Won19,500 on expectations of a substantial increase in its 1995 net profits.

TAIPEI fell back as many investors chose to move to the sidelines and the weighted index eased 11.65 to 5,015.36. Turnover was T$26bn.

Brokers attributed the thin turnover partly to the attractions of the smaller over-the-counter market where daily turnover hit a record high of T$289m on Monday.

One broker said that "the *OTC market offers investors* another option at a time when they are uncertain about the stock market outlook".

HONG KONG reversed early losses, the Hang Seng index closing 36.65 higher at 10,671.15 after a session's low of 10,559.47. Turnover increased from HK$5.5bn to HK$6.6bn, some dealers attributing the late rally to purchases by foreign institutions.

The H share index of locally listed Chinese groups gained 12.59 or 1.4 per cent at 928.22 after Monday's 3 per cent rally as rumours persisted that China was about to relax austerity measures.

Wharf climbed 35 cents to HK$29.55 as it confirmed that it had sold its Omni Hotels chain in the US to a private investor in Texas. China Light moved up 50 cents to HK$38.10 and Hongkong Electric 35 cents to HK$26.45 on rumours that both were about to issue covered warrants.

Vitasoy went against the trend, losing 17.5 cents to HK$2.95, against an intra-day low of HK$2.75, as trading was resumed following its suspension on January 10. This followed recalls of its soft drinks owing to suspected bacterial contamination.

JAKARTA was easier as most foreign investors decided it was time to book profits. The composite index slipped 5.47 to 553.43. Turnover amounted to Rp263.5bn.

Telkom relinquished Rp25 at Rp3,225 and Indosat declined Rp150 to finish at Rp8,925.

The plywood sector was affected by worries about a shortage of raw materials: Barito lost Rp125 to Rp2,000 and its affiliate Sumalindo shed Rp100 to Rp1,850.

BANGKOK saw profits taken in the finance sector as the SET index slipped 5.16 to 1,371.64 in average turnover of Bt9.6bn. Some analysts remarked that investors were now becoming concerned about the forthcoming fourth-quarter results season, although others felt that expectations of disappointing figures had already been factored into prices.

SINGAPORE consolidated after its recent gains. The Straits Times Industrial index receded 15.76 to 2,397.88 and turnover came to S$610.6m.

One of the biggest falls was seen in Cerebos Pacific, the food group, which lost 60 cents to S$11.00, while the main gainer was Times Publishing, which rose 22 cents to S$3.68 after a broker reiterated a "strong buy" recommendation.

MANILA paused after the steep climb of the previous three days, but the composite index managed a rebound from a 40-point drop at midsession to close 2.11 off at 2,776.75.

Brokers maintained that the buying wave which had pushed the index up by more than 100 points in the previous three days was not yet over. Some expected renewed demand after the composite index topped the 2,800 level.

BOMBAY finished lower after trading in a tight range. Brokers noted that the much-hyped carry forward system had failed to cheer sentiment and volumes, and said that they were unlikely to pick up ahead of parliamentary elections expected in April. The BSE-30 index lost 7.03 points at 3,015.48.

KUALA LUMPUR was led lower by selling in second board stocks after their sharply higher performance in recent weeks.

The composite index ended 2.89 weaker at 1,069.66 but the second board index lost 13.89 or 3.7 per cent at 366.83.

News that Malaysia's 1995 inflation rose 3.4 per cent year-on-year, against 3.7 per cent in 1994, came too late to have any impact on the market.

Telmex off in Mexico

Mexico City slipped in early trade as the market braced itself for an increase in domestic interest rates. These were forecast to rise between 100 and 200 basis points at the central bank's weekly primary auction later in the session. Investors were also worried by a fall in Telmex.

By midsession the IPC index was off 25.41 at 2,382.83 in moderate volume of 10.5m shares.

Telmex L shares were down 1.2 per cent after having fallen about 8 per cent in the previous two sessions on worries that the telecommunications group would be unable to generate strong profits growth when it was exposed to competition from next year.

Lehman Brothers said it had cut Telmex's 1996 earnings estimate to $3.30 per ADR from $3.65, but added that it continued to rate the company as an "outperformer".

BUENOS AIRES was cautiously higher as brokers said they were concerned by growing problems about the domestic economic environment. The Merval index was up 2.21 at 541.83 at noon.

SAO PAULO was mildly weaker by midsession, the Bovespa index having slipped 415.90 to 48,538. **SANTIAGO** was steady by late morning. The IGPA index gained 7.22 points at 5,771.75.

Electricals recovered from a decline on Monday as investors moved back into the sector. Enersis was up 1 per cent to 226 pesos and Endesa made up all the ground it had lost during the previous session, rallying 2.5 per cent to 289 pesos.

S African industrials at peak

Johannesburg gold shares picked up after Monday's pullback, but they were less convincing than industrials which posted straight-line rises to register a record high for the third consecutive day.

Analysts said that industrials looked likely to continue higher later in the week as an absence of stock was helping to push prices ahead. However, gold shares, having yet to find encouragement in the mediocre quarterly gold mine results so far, were seen tracking the bullion price for the rest of the week.

The all-share index was up 34.0 at a record 6,794.4, industrials surged 109.6 to a new peak of 8,588.6 and golds rose 49.4 to 1,609.7.

De Beers appreciated R1.75 to R121.75, while the industrial mainstay, South African Breweries, hit a fresh high of R141.50 for a gain of R4.

Anglo American closed R5 up at R255, while Freegold, the country's biggest gold producer, rose R2.60 to R37.10.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 15 1996								FRIDAY JANUARY 12 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	190.95	-0.8	183.16	126.98	143.61	170.91	-0.3	3.91	192.43	184.38	127.81	144.13	171.49	196.40	157.85	163.31
Austria (26)	183.75	-0.8	176.26	122.18	138.19	138.02	-0.3	1.59	185.14	177.40	122.97	138.67	138.50	199.28	167.48	179.14
Belgium (34)	213.30	-0.3	204.60	141.84	160.41	156.38	0.1	3.34	214.03	205.09	142.17	160.31	156.30	215.22	166.86	167.05
Brazil (28)	154.33	1.1	148.03	102.62	116.06	276.17	1.0	1.60	152.69	146.31	101.42	114.36	273.38	160.23	86.06	153.06
Canada (101)	148.94	-0.3	142.87	99.04	112.01	147.06	-0.2	2.54	149.47	143.22	99.28	111.95	147.42	153.19	121.81	128.47
Denmark (33)	299.33	0.0	287.12	199.05	225.11	227.72	0.4	1.44	299.24	286.73	198.76	224.13	226.74	299.33	246.19	252.50
Finland (24)	176.32	-3.0	169.13	117.25	132.60	161.96	-2.7	1.96	181.73	174.13	120.71	136.12	166.38	276.11	171.13	191.45
France (99)	182.95	0.5	175.49	121.66	137.58	142.04	0.8	3.07	182.03	174.42	120.91	136.34	140.93	191.17	157.79	162.51
Germany (60)	168.95	-0.3	162.06	112.35	127.06	127.06	0.1	1.88	169.49	162.40	112.58	126.95	126.95	169.49	139.77	141.20
Hong Kong (59)	414.92	1.3	398.00	275.91	312.05	411.86	1.3	3.48	409.65	392.53	272.10	306.83	408.67	414.92	277.40	287.15
Ireland (16)	260.32	-0.6	249.71	173.11	195.78	229.18	-0.6	3.35	261.92	250.97	173.97	196.18	230.66	262.70	204.97	208.84
Italy (59)	71.90	-1.8	68.97	47.82	54.08	84.53	-1.8	1.73	73.23	70.17	48.64	54.85	86.05	82.71	65.45	75.99
Japan (482)	152.92	-0.1	146.69	101.69	115.01	101.69	0.0	0.75	153.10	146.70	101.69	114.67	101.69	164.82	136.95	154.03
Malaysia (108)	526.32	1.1	504.86	349.99	395.83	519.32	1.1	1.60	520.55	498.79	345.76	389.89	513.73	561.96	396.16	430.94
Mexico (18)	1129.39	-1.4	1083.34	751.02	849.37	9279.82	-0.8	1.50	1145.81	1097.91	761.07	858.21	9356.20	1247.33	647.81	1247.33
Netherland (19)	275.31	-0.9	264.09	183.08	207.05	203.51	-0.6	3.21	277.89	266.27	184.58	208.14	204.72	280.49	217.56	217.56
New Zealand (14)	78.76	-0.1	75.55	52.38	59.23	63.20	-0.1	4.59	78.82	75.53	52.36	59.04	63.24	85.49	71.01	71.01
Norway (33)	233.63	-1.8	224.10	155.36	175.70	201.22	-1.5	2.08	237.93	227.98	158.04	178.21	204.33	243.79	202.76	207.74
Singapore (44)	429.79	0.1	412.27	285.80	323.23	281.70	0.1	1.43	429.34	411.39	285.18	321.58	281.54	429.79	313.94	340.44
South Africa (45)	419.32	-0.6	402.23	278.84	315.36	333.08	-0.5	3.55	421.74	404.10	280.13	315.88	334.86	421.74	281.06	314.05
Spain (37)	166.70	-0.5	159.90	110.85	125.37	153.73	0.0	3.89	167.55	160.54	111.29	125.49	153.79	168.91	124.10	126.54
Sweden (47)	308.68	-1.0	296.10	205.27	232.15	301.21	-1.0	1.99	311.90	298.86	207.17	233.62	304.38	324.31	232.23	235.68
Switzerland (40)	229.56	-2.0	220.20	152.65	172.64	165.86	-1.6	1.60	234.24	224.45	155.59	175.45	168.57	239.55	162.36	165.48
Thailand (46)	185.37	0.4	177.81	123.27	139.41	181.73	0.4	2.25	184.60	176.88	122.61	138.26	181.08	185.37	130.15	138.02
United Kingdom (206)	227.87	0.0	218.58	151.53	171.38	218.58	0.1	4.25	227.87	218.35	151.36	170.68	218.35	232.23	191.53	194.32
USA (633)	244.17	-0.4	234.22	162.37	183.63	244.17	-0.4	2.31	245.13	234.88	162.82	183.60	245.13	253.50	190.22	190.69
Americas (780)	223.25	-0.4	214.15	148.46	167.90	187.62	-0.4	2.31	224.11	214.74	148.86	167.86	188.32	231.18	175.22	176.12
Europe (733)	200.87	-0.5	192.68	133.58	151.07	171.06	-0.2	3.07	201.83	193.39	134.06	151.17	171.46	204.32	167.26	168.34
Nordic (137)	274.02	-1.2	262.85	182.22	206.08	232.22	-1.0	1.90	277.29	265.69	184.18	207.69	234.66	295.02	222.22	227.89
Pacific Basin (834)	165.00	0.0	158.27	109.72	124.09	113.06	0.1	1.17	165.00	158.10	109.60	123.58	112.93	171.87	145.93	159.55
Euro-Pacific (1567)	179.84	-0.2	172.51	119.59	135.25	135.12	-0.1	2.06	180.24	172.70	119.72	135.00	135.19	183.39	154.73	163.12
North America (734)	238.26	-0.4	228.54	158.44	179.18	237.62	-0.4	2.32	239.18	229.18	158.87	179.15	238.53	246.93	186.14	186.71
Europe Ex. UK (527)	181.62	-0.7	174.22	120.78	136.59	144.64	-0.4	2.42	182.97	175.32	121.53	137.04	145.25	184.61	149.99	150.71
Pacific Ex. Japan (352)	278.27	0.5	266.92	185.04	209.28	245.74	0.6	3.00	276.88	265.30	183.91	207.38	244.27	278.27	211.19	217.36
World Ex. US (1759)	181.32	-0.2	173.93	120.58	136.37	139.20	-0.1	2.10	181.74	174.14	120.72	136.12	139.29	184.71	155.42	163.88
World Ex. UK (2186)	197.52	-0.3	189.47	131.35	148.55	164.63	-0.2	1.98	198.17	189.88	131.53	148.43	165.01	202.03	163.46	169.49
World Ex. Japan (1910)	226.91	-0.3	217.66	150.89	170.65	212.57	-0.3	2.64	227.72	218.19	151.25	170.56	213.12	232.30	181.60	182.99
The World Index (2392)	200.19	-0.3	192.03	133.13	150.56	169.44	-0.2	2.19	200.78	192.39	133.37	150.39	169.78	204.65	165.92	171.68

CONSTITUENT CHANGE WITH EFFECT 17/1/96: Deletion: CCH Inc (USA) acquired by Wolters Kluwer (Netherlands).Latest prices were unavailable for this edition.

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